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GOVERNOR'S
B U D G E T
SUMMARY
1989-90
STATE OF
CALIFORNIA



George Deukmejian
George Deukmejian
Governor

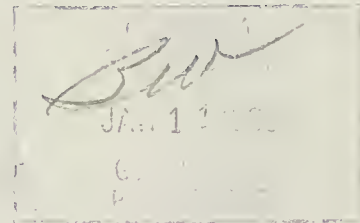
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**GOVERNOR'S
B U D G E T
SUMMARY
1989-90**

**STATE OF
CALIFORNIA**



Submitted by
George Deukmejian
Governor
State of California



to the
California Legislature
1989-90 Regular Session

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GEORGE DEUKMEJIAN
GOVERNOR

State of California

GOVERNOR'S OFFICE
SACRAMENTO, CA 95814



January 10, 1989

To the Senate and Assembly of the Legislature of California:

In compliance with Article IV, Section 12 of the California Constitution, I am pleased to submit to you the 1989-90 Governor's Budget.

This budget -- California's first budget for the 1990s -- contains many of the same sound policies which we have steadfastly pursued during the past six years: it is balanced, has no tax increases and contains a prudent reserve for emergencies.

Funding for kindergarten through 12th grade schools and community colleges will be significantly higher in 1989-90, as required by the passage of Proposition 98. A top priority for these additional funds should be to reduce class size in order to improve the quality of education our young people receive.

In previous years, education has always received the largest share of our state budget. But Proposition 98 mandates even greater school funding increases -- increases which, unfortunately, must come at the expense of other vital state programs.

Despite the restrictions that have been imposed on the budgetary process, the 1989-90 budget attempts to spend the people's money as wisely and fairly as possible. However, it should be noted that this budget does not fully reflect my priorities, nor, I assume, those of every member of the Legislature.

In considering our proposed budget, I hope that the members of the Senate and the Assembly will join with me to implement major reforms to the budget process, including a complete reexamination of both the Proposition 4 spending limit, all automatic cost-of-living spending increases and other statutory mandates which impact the budget process. A constructive, long-term fiscal policy for California depends on a positive and creative dialogue between the Legislature and myself.

In addition, in the near future I will be appointing an independent task force to make recommendations on reforms which will restore flexibility in the budget process.

Because of our fiscal stability, because of our progressive programs to protect and improve the quality of life for all our citizens, and because we have restored our state's reputation for integrity, California is ready to tackle the challenges that the next decade will present. I look forward to working with you to make our state an even better place.

Most cordially,

George Deukmejian

STATE OF CALIFORNIA

DEPARTMENT OF FINANCE
OFFICE OF THE DIRECTOR



January 10, 1989



The Honorable George Deukmejian
Governor, State of California
State Capitol
Sacramento, CA 95814

Dear Governor Deukmejian:

I am pleased to submit to you the Governor's Budget for 1989-90.

This budget fulfills the state's obligation to fund kindergarten through 12th grade schools and community colleges as mandated by the recent passage of Proposition 98, provides for a prudent budget reserve, and holds the line against any general tax increase. It also reaffirms your commitment to the many essential programs that serve and protect the residents of this state.

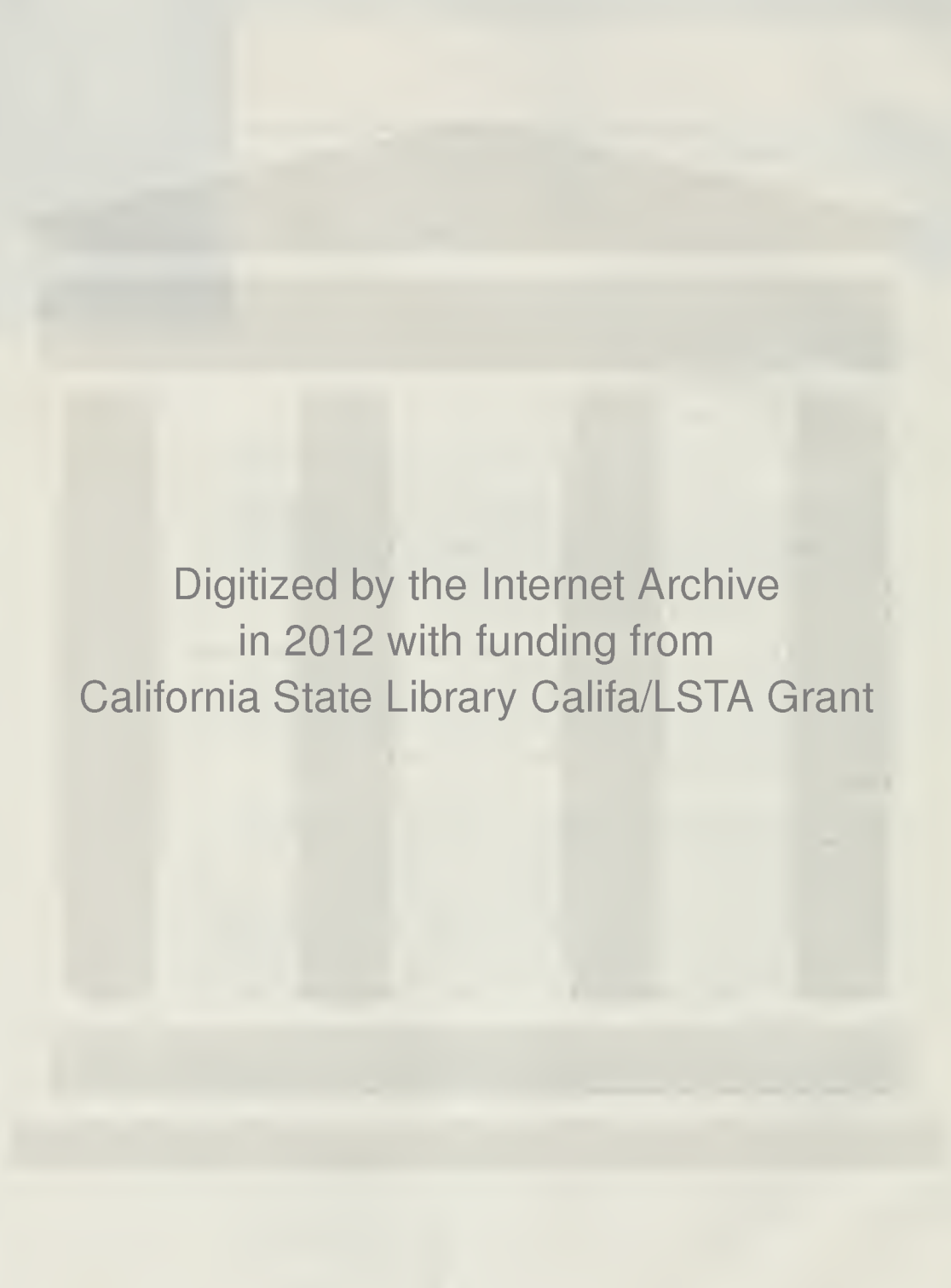
During the first six years of your administration, wise investments have been made in education, transportation, job creation and natural resources. You have also restored integrity to the state's fiscal practices and made the tough decisions necessary to enact six consecutive balanced budgets. In response to your efforts, California's credit rating now stands at AAA and the state's economic climate is strong.

The proposed 1989-90 budget seeks to build upon the tremendous achievements your administration has made in past years, but it is also very different from past budgets. The impact of Propositions 98 and 99 -- which mandate funding levels for education and increase the state's cigarette tax -- together with automatic funding formulas, laws, regulations and court decisions have left the executive branch of state government very little discretion over the budget process. Despite these restrictions, the 1989-90 budget is a reasoned and responsible plan for use of budget resources.

Fiscal stability remains the linchpin of your administration's efforts to create jobs, provide opportunity for our children, fight crime and protect our environment. We look forward to assisting you in developing and implementing the fiscal policies to meet these important goals.

Very truly yours,

JESSE R. HUFF
Director of Finance



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CALIFORNIA STATE GOVERNMENT THE EXECUTIVE BRANCH

California is faced with a unique situation in developing the 1989-90 Budget—while our economy is strong and General Fund revenues are growing at eight percent for the budget year, overall General Fund expenditures for state programs, excluding K-14, will increase by only a little over four percent. As a result of the education funding requirements mandated by Proposition 98, mandatory program increases, growth of entitlement programs and the maintenance of a prudent reserve, many state programs will receive no funding increases while others will be substantially reduced.

Before focusing on the specifics of the 1989-90 spending plan, it is helpful to review the dynamics of the state environment which led up to our current situation.

California as a Dynamic State

California is a state in unprecedented change. Our population of 28 million people is expanding at a rate of approximately 600,000 per year. Last year alone, California added more residents than the entire populations of five other states: Vermont, North Dakota, Delaware, Alaska and Wyoming. By the year 2000, California will be home to more than 33 million residents, twice the size of New York, the second most populous state.

As a separate nation, California would rank sixth among world economies and accounts for approximately one-eighth of the total U.S. economy. We are not only a power-

house state nationally, but internationally as well. We have become a major player in world trade. In fact, given California's economy, California can be considered a successful exporting nation unto itself. We have gone from just competing with workers from within the United States to being pitted against countries such as Great Britain and Japan.

In addition to being an economic giant, the size of our state budget puts us in the same league as most other countries. California's 1989-90 State Budget will total \$47.8 billion—more than double the \$21.5 billion spent ten years ago.

Role of Government

Concurrent with the rise of California as an international power, state government's share of the economy is shrinking. For example, the California state and local government workforce accounts for approximately 13 percent of all nonagricultural wage and salary jobs, down from 17 percent in the mid-70s.

Overall, government is no longer a growth industry. This can be seen by examining what has happened to California's tax rate. In the 1970s, California was among the third highest tax states in the nation. Today California ranks in the middle. Changes such as Proposition 13, the indexing of the personal income tax, the repeal of the inheritance, gift and business inventory taxes, and major tax reforms by the federal government in 1986 and California in 1987, have all impacted the flow of tax dollars into the state's treasury.

With these changes, the growth of government has been slowed and the line held on tax increases. But even with tax reductions enacted, state General Fund revenue has continued to grow by 84 percent, or 39 percent when adjusted for inflation, just during the term of this Administration.

Ballot Initiatives

The Initiative Process has also had a dramatic impact upon state and local government operations and specifically upon the government budgeting process.

Proposition 13, which was passed by the people in 1978, was the first of three landmark measures to influence the way government accumulates and disperses tax dollars. In addition to curtailing a revenue source critical for local governments, Proposition 13 began a shift of control from the local level to the state level. Pre-Proposition 13 government operations were decentralized with each county able to generate sufficient revenue to meet the demands of its residents. When property tax proceeds diminished as a result of Proposition 13's passage, county governments were forced to seek assistance from the state, which at the time held a surplus of approximately \$4 billion. In the process of "bailing out" the counties, California witnessed a centralization of power from the local level to the state level. This Administration has endeavored to reverse that trend and restore control over local issues to the local level.

The passage of Proposition 4 in 1979 was another effort by the people to impose reasonable revenue collection and spending limits on state and local government. This Administration has worked diligently to keep faith with Proposition 4 and has supported its concept of restrained and realistic spending. However, in November 1988 the budgetary environment changed.

The most recent initiative to have a dramatic impact upon the state budgetary process was the passage of Proposition 98 last November. California faces a significant new challenge in the allocation of its resources as a result of Proposition 98's passage. By guaranteeing grades K-14 a higher share of the state budget, Proposition 98 requires the state to redirect already limited General Fund resources. The result will be the denial of funds to critical programs, including the University of California, California State University, health and welfare programs and assistance to counties.

In addition, Proposition 98 has essentially invalidated the surplus provision of Proposition 4. In effect, there is no longer a limit, but rather a threshold, as all revenues above the "limit" will be dedicated to one spending priority at the exclusion of all others, including potential rebates.

Budget Reform

For the 1989-90 Budget, 40 percent of the state's tax revenue will be allocated to K-14 education as a result of Proposition 98. In addition, approximately two percent of the revenue will be spent on nondiscretionary education items which are not protected by Proposition 98. Another 47 percent of the revenue is also off-limits because funding levels for certain programs are determined by automatic formulas, laws, regulations, and court decisions. After setting aside a prudent reserve of approximately three percent, the Administration now has discretion over only eight percent of state revenues.

This fact, coupled with the significant modifications of Proposition 4 by the passage of Propositions 98 and 99, has necessitated a review of the budget process.

The Governor will be calling upon the Legislature, educators, the business community, health care providers and others to agree to a comprehensive review and reform of the state's budget process. Without the flexibility to allocate resources equitably and rationally, the critical needs and changing demands of a growing state cannot be met.

Until such reforms are made, however, this Administration is forced to propose substantial reductions in many vital programs and provide insufficient resources to others. If the Administration is not successful in accomplishing some critical adjustments to automatic funding formulas and other constraints to budget management, other critically needed programs will have to be reduced.

Like most budgets, this one is a plan, or a proposal. It does not become final until the process of legislative hearings, enactment by a two-thirds vote, and gubernatorial signature (with item-vetos) is complete. As a proposal, it excludes four items of expense in the Health and Welfare area which require legislation to exclude: suspension of the statutory cost-of-living adjustment for one year; enactment of economies in the use of state funds for the purchase of drugs for recipients in the Medi-Cal program; freezing the state's expenditures for the cost of the In-Home Supportive Services program at an average of approximately 70 hours per case on a state-wide basis; and elimination of the family planning program. Enactment of this legislation would provide approximately \$337 million of resources that, under the budget plan, would be used on programs and activities which this Administration believes to be of a higher priority than those on which the money would otherwise be spent. Absent the proposed legislation, these higher priority programs would have to be reduced or eliminated:

- In the Department of Mental Health, the staffing of the state hospitals would have to be reduced, saving \$14 million; the staff coverage factor would not be corrected, saving \$6 million; local mental health subventions would have to be severely reduced, saving \$200 million; over half of the funding for a pilot project to test various concepts of integrated mental health service delivery systems for adults would have to be eliminated, saving \$5 million; the Biological Psychiatry Treatment and Research unit at Napa State Hospital would have to be eliminated, saving \$1 million; and the program serving brain-damaged adults would have to be reduced, saving \$3 million.
- In the Department of Social Services, most of the caseload increase in the Child Welfare Services Program would have to be eliminated, saving \$25 million.
- In the Departments of Social Services and Health Services the Administration's proposal dealing with the problems of babies who are born drug exposed or addicted would have to be withdrawn, saving \$3 million; and increased payments to counties for cost-of-living adjustments in the administrative costs for the state's share of welfare programs would have to be eliminated saving \$11 million.
- In the Department of Health Services, various categorical programs such as Dental Disease Prevention, Alzheimer's Diagnostic and Treatment Centers and Vector Biology and Control will be reduced, saving approximately \$4 million; and various staffing improvements in recognition of workload increases could not be made, saving \$4 million.
- In the Department of Aging, the Linkages Program would have to be phased out for \$3 million; the Nutrition Program would have to reduce services by \$10 million; and the Alzheimer's Day Care Program would have to be reduced by \$1 million.

- In the Department of Alcohol and Drug Programs, a reduction in treatment programs would have to be taken for a savings of \$16 million.
- In the Department of Developmental Services, the staffing of the Developmental Centers would have to be reduced, saving \$22 million; and the staff coverage factor would not be corrected, saving \$4 million.
- In the Employment Development Department, the Job Agency/Service Center Programs for hard-to-place clients would have to be cut in half for a savings of \$5 million.

The Governor's Budget also proposes a cost-saving measure in the area of state and local government relations which requires legislation. A number of programs are performed by local governments due to state requirements and the state reimburses local governments for those costs or mandates. In the budget several of these mandates are identified as being better left to the discretion of the local government as to whether they should be performed. Legislation making these programs a matter of local choice would save the state \$32 million. Failure of such legislation would require reduction or elimination of other programs serving counties.

A third area of the Governor's Budget which is dependent upon legislation deals with the state's efforts to guarantee the purchasing power of retired teachers. At the present time, this benefit is provided on a pay-as-you-go basis, with no certainty of funding from one year to the next. The Administration is proposing to change this program to one with guaranteed employer contribution. Such a change would result in a short-term savings to the state of \$164 million. The Administration believes this legislation should have a wide base of support and be quickly enacted. However, if this legislation is not enacted, then an equivalent amount would have to be reduced from other areas of the proposed budget.

Reserve Fund for Economic Uncertainties

Equally as critical as the need for budget reform is the need to maintain an adequate reserve fund for economic and revenue fluctuations, and natural disasters such as fires, floods and earthquakes.

The 1987-88 fiscal year demonstrated all too clearly how fast a \$1 billion cushion can vanish. Because of the reserve fund set aside at that time, we were able to deal with an unexpected billion dollar revenue shortfall and save the state from ending the fiscal year in a deficit. However, due to the projected on-going nature of the revenue drop-off, the state only established a \$600 million reserve fund for the current year so as many essential programs as possible could be adequately funded.

Because of a number of fires, higher than anticipated growth in a number of programs and the need to allocate additional funds to K-12, the state will be forced to expend its entire reserve fund again this fiscal year.

The Administration believes that the budget reserve for 1989-90 should be set at \$1.1 billion. In light of the experience of the last two years, it is clear that a budget the size as California's simply needs that amount of reserve in order to deal with all the potential revenue and expenditure changes that may happen during the fiscal year. In addition, one requirement of Proposition 98 is the establishment of a prudent reserve. The Administration believes that a reserve of less than \$1.1 billion simply is not prudent.

Other Budget Considerations

Three other critical factors considered in the development of the 1989-90 Governor's Budget were the economy, revenue forecast and bond debt service cost.

Economy. California's stable and growing economy will continue into the 1990s. As in the past, the Golden State is expected to outperform the rest of the nation as the country

“California faces a significant new challenge in the allocation of its resources as a result of Proposition 98 . . . By guaranteeing grades K-14 a higher share of the state budget, Proposition 98 requires the state to redirect already limited General Fund resources. The result will be the denial of funds to critical programs . . .”

moves into the seventh straight year of peacetime expansion. Size, growth and diversity are the keys to California's healthy economy. California's 28 million people account for 10 percent of the U.S. population, and the state is continuing to see a steady influx of immigrants, as well as people migrating from other states, which contribute to an annual growth rate of 2.5 percent.

No single industry dominates the state's economy, although high technology aerospace and electronics are heavily represented. The service industry, which includes financial and business services and motion pictures, is slightly more important in California than in the nation.

Prominent among the factors which will assist in maintaining California's economic stronghold are employment growth, personal income growth and the low jobless rate. Once again California will grow at a pace slightly higher than the rest of the nation in the areas of employment and personal income. And unemployment is holding at its all-time post-war low of approximately five percent, with some areas of the state experiencing jobless rates of less than four percent.

Overall, the Administration remains optimistic regarding California's economic future with continued steady growth projected.

Revenue Forecast. Prior to the last two fiscal years, once the economic picture was determined, it was relatively a mechanical process to determine the revenue flow to the state. If the economy was growing, revenues would be up; if the economy was slowing, revenues would be down. Essentially, revenues were very closely tied to economic performance—so if the economic forecast was correct, the revenue forecast was correct.

Two years ago both the state and the nation experienced a new phenomena—immediate taxpayer behavior change as a result of revisions in the federal and state tax laws. In an unprecedented manner, revenue forecasters were faced

with a new, and much more difficult variable to predict—taxpayer behavior. It has become clear that minor changes in taxpayer behavior, either at the federal or state level, can have a dramatic effect on tax receipts.

The prior two fiscal years have shown the two extremes: a \$1 billion surplus in one year followed by a \$1 billion shortfall the next. In both instances, the results were not as a result of a swing in the economy, but dramatic changes to the tax laws.

In the 1986–87 fiscal year, California experienced a one-time revenue surge of over \$1 billion. Much of this revenue was the result of taxpayers making financial decisions in anticipation of the implementation of the new federal tax laws that went into effect January 1, 1987. As required by the State's Constitution, this surplus revenue was returned to the people in the form of a tax rebate.

The 1987–88 fiscal year had yet another surprise. For the first nine months of the fiscal year, the monthly revenue cash flow was consistent with revenue estimates. In late April, however, despite a stronger economy, the state faced a significant dropoff in revenue in excess of \$1 billion. Since all economic indicators were even more positive than had been anticipated originally, it was clear that some external factor was the cause. The only significant changes identified were the enactment of two major pieces of legislation which totally rewrote the tax code and conformed California law with federal law.

Because all data is still not available for the 1987 tax year, no definitive cause has been determined. It is clear, however, that changes in the treatment of capital gains constituted the major share of the tax shortfall.

While the Administration has undertaken a number of activities to make our revenue forecasts more accurate, a great deal of uncertainty still remains. For this reason, it is particularly important to realize that the budget estimate is based on a mid-range revenue probability. If the

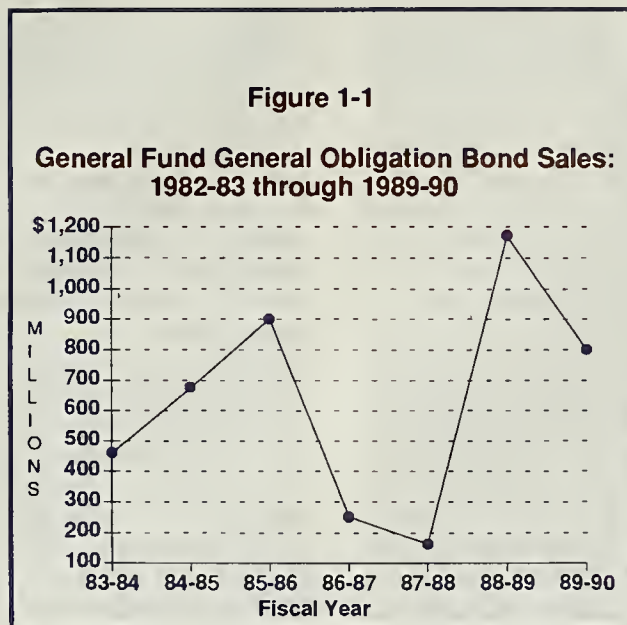
economy should demonstrate stronger growth and/or increased taxpayer activity, General Fund revenues could come in higher than the estimate. In contrast, if a weakening of the economy occurs and/or taxpayers are more conservative in transactions than anticipated, General Fund revenues could be reduced. The Administration believes that the May Revision of the revenues will clarify the situation.

Bond Debt. Bond financing is an accepted form of long-term borrowing under which the state raises money by issuing voter-approved financial securities, or General Obligation Bonds, to investors. General Obligation Bonds are used to finance a wide variety of projects benefiting the public, including schools, prisons, parks and water treatment facilities.

Figure 1-1 displays the General Fund General Obligation Bond sales between fiscal years 1982-83 and 1989-90. Bond sales increased between 1982-83 and 1985-86 and then declined in 1986-87 and 1987-88. This decline was due primarily to the uncertainty surrounding implementation of the Federal Tax Reform Act of 1986. It is estimated that the state will sell \$800 million in additional General Fund General Obligation Bonds in 1988-89 and \$800 million in 1989-90, levels which approximate bond sales in 1985-86.

Currently, there are \$3.5 billion of outstanding State General Fund General Obligation Bonds approved by the voters as a result of bond sales. Figure 1-2 provides a breakdown of these outstanding bonds by agency. As the figure shows, the Resources and the Youth and Adult Correctional Agencies each account for slightly over one-third of the \$3.5 billion in outstanding bonds. The remaining one-third of the outstanding bonds is represented by other state agencies, including K-12 schools and higher education, health and welfare, and general government.

It is estimated that General Fund debt service costs on these outstanding bonds will be \$610 million in 1989-90, or less than 1.6 percent



of total General Fund expenditures. California's debt service burden, at 1.6 percent, is well below the national average.

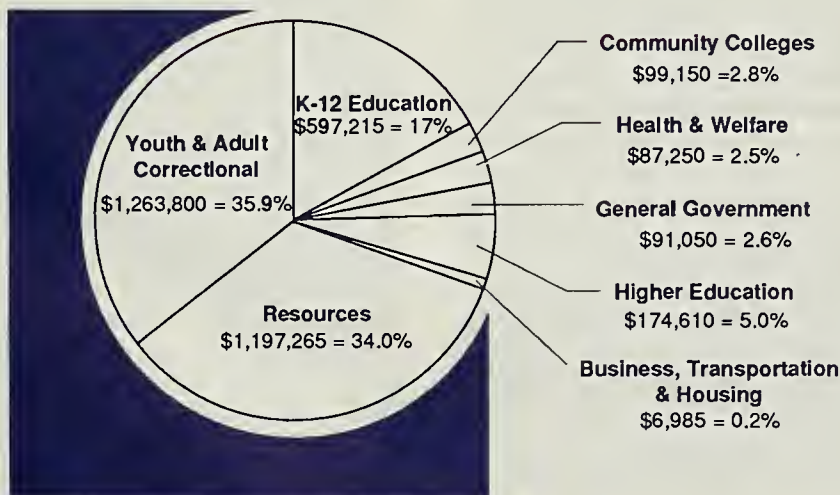
In fact, when compared to a comparison group of 16 major and/or AAA credit-rated states, California

ranks fourth best in debt service costs. California also ranks third best among the nine AAA credit-rated states. Currently, the state has \$8.9 billion in authorized but unsold General Obligation Bond authority. If the state were to sell these bonds at the current rate of \$800-900 million

"... when compared to a comparison group of 16 major and/or AAA credit-rated states, California ranks fourth best in debt service costs . . . (and) ranks third best among the nine AAA credit-rated states."

Figure 1 - 2

**Outstanding General Fund
General Obligation Bonds by Agency
(Dollars in Thousands)**



per year, it would take approximately 10–11 years to sell all outstanding bonds. At the conclusion of the 10–11 year period, the state's General Fund debt service costs would still not exceed the average of five percent of the total General Fund budget of the comparison states.

Even though California currently maintains a modest bond funding level, it is critical that all efforts be made not to over-extend this funding source. The Administration and Legislature have been very discriminating in the projects selected to be funded by bonds. General Obligation Bonds are not now and should not in the future be used as a funding source for general or ongoing expenses, but only for purposes which outlive the life of the debt. Examples of these types of projects include schools, roads and prisons. By following this course, the facilities constructed now will benefit not only the people today, but the generations to come. This type of financing allows the costs of the programs to be spread more equitably to those who benefit from them.

1989–90 Spending Plan

The Governor's proposed budget for 1989–90 will total \$47.8 billion, including \$38.0 in General Fund expenditures. Even though overall General Fund expenditures are growing at 5.8 percent, the increase is very misleading because of the disproportionate growth in the Proposition 98 protected K–14 area. From the current year to the budget year, this area will grow at 8 percent, which leaves only a 4.4 percent rate for all other state programs. So on a case-by-case basis, most state programs will receive no increases and will, in fact, need to increase operating efficiencies and absorb any inflationary costs due to the budget obligations brought about by Proposition 98.

Following are descriptions of some of the critical program areas where funds were available to either increase, or at least maintain, the current funding level.

Education. As a result of the passage of Proposition 98, funding for Kindergarten through 12th grade schools and community colleges will increase significantly over the 1988–89 budget. When educational expenditures not covered by Proposition 98 are included, total K–14 educational expenditures reach \$15.9 billion, or 42 percent of the total General Fund expenditures.

A top priority for the additional money which will be provided to schools will be funding of programs to reduce the average class size in California. Currently, California ranks near the bottom in the number of teachers per pupil. In contrast, teacher salaries in our state are among the highest in the country.

In order to continue improving the quality of education, the Administration will be proposing a program to reduce class size so that students receive more individual instruction. The main focus of these efforts will be directed toward certain high school classes and reading and writing programs for grades one through three.

Drug use in California schools endangers the education and lives of the younger generation of our state. Although the Administration has increased penalties for drug pushers selling to school children and increased drug education programs, drug abuse still remains a major problem. With a portion of the additional funding made available with Proposition 98, the Administration will launch a comprehensive, state-wide drug education program in the schools.

Higher Education. California's higher education system is widely recognized as one of the finest in the world. The number of students attending our UC and CSU campuses is growing steadily. In the UC system, student population is projected to swell by as much as 45 percent by the year 2005, with the California State University system expected to grow by more than 22 percent.

Outside of funding enrollment increases and necessary salary in-

creases, the 1989–90 budgets for UC and CSU reflect only minimal funding changes and contain actual decreases in some areas. However, the proposed budget includes \$500,000 to fund planning studies leading to site selections of the UC Regents' proposal to build three new campuses to accommodate the growth, and \$521,000 to plan for a new CSU campus in northern San Diego County.

Public Safety. The Governor's commitment to public safety is once again reflected in the proposed budget. In addition to the drug prevention programs for schools, the Administration will also propose new criminal penalties for drug pushers, and additional resources will be directed to such agencies as the California Highway Patrol and the Department of Justice.

Corrections. As the number of criminals in our state prison system grows, the cost of operating our correctional system has soared. For 1989–90, California will spend nearly \$1.9 billion to operate our state prison and parole systems. In addition, it will cost \$365 million to operate California's Youth Authority facilities and parole programs for juvenile offenders.

Right now, the taxpayers are footing the bill. It's a price we must pay because the alternative to building more prisons is to allow more criminals to roam the streets. One recent study concluded that if these inmates were on the streets, rather than in prison, each criminal would commit an average of 187 crimes a year at a cost to society of \$430,000.

Yet, as the cost of the prison system continues to climb, the Administration is looking at ways to allow more able-bodied prisoners to work to defray the cost of their room and board and medical care, as well as make restitution for their crimes.

Transportation. Californians drive more miles than residents of any other state. By the year 2000, travel on California roads is expected to increase by almost 30 percent to more than 270 billion vehicle miles.

The Administration's approach to the state's transportation needs is three-fold: to make better use of existing roads and freeways, to maintain and rehabilitate our current system, and to provide funding to expand the transportation network. To achieve these objectives, the Governor's Budget proposed almost \$3.9 billion on transportation in 1989-90.

The Administration has also embarked on a program to reduce traffic congestion through car and van pooling, high technology, increased use of mass transit and other methods of decreasing the number of vehicles on the roads. In 1989, the Administration will continue to encourage these creative ways of reducing traffic congestion, along with ongoing construction and rehabilitation projects.

Due to the failure of Proposition 74 on the June 1988 ballot, a number of fund shifts and expenditure adjustments are necessary in the 1988-89 and 1989-90 transportation budgets. With these adjustments, 1989-90 highway expenditures will maintain the level achieved in 1988-89. However, a problem will remain for the 1990-91 fiscal year. During the next six months, the Administration will be looking at alternative methods of financing the state's long-term transportation needs.

Assistance to Local Government. In spite of the tremendous demands placed upon limited state resources resulting in funding reductions in county run health and welfare programs, the Governor's Budget keeps faith with the commitment to local government to fully implement the trial court funding program and continue stabilization funding in 1989-90. A total of \$432 million is proposed for trial court funding in the budget year, in addition to the \$205 million provided in the current year. Unrestricted block grant funding will continue at \$15 million each year.

Economic Development. Two primary programs are representative of the Administration's commitment to furthering economic devel-

opment in California.

- **Rural Renaissance**

In 1986, the Administration launched a new program to revitalize the rural communities of our state. Since then, the Governor has provided the Rural Renaissance program \$20 million to finance public works improvements, and is proposing an additional \$8 million in 1989-90.

This program continues to be a high priority of the Governor's because of the need to explore efforts that allow the economies of rural counties to keep pace with their urban counterparts. Through the Rural Renaissance program, rural communities can continue to develop new businesses and offer increased job opportunities for its residents.

- **Trade**

In order to keep California competitive, this Administration has established trade offices in London, Tokyo, and Mexico City, conducted overseas missions to promote California products and improve relations with our trading partners, and launched an Export Finance Program that has supported more than \$100 million in export sales. In the coming year, a new position will be created to oversee all of the trade activities, currently divided between several different state agencies. The Governor's trade representative will be responsible for the overseas offices and coordinate all of the state's internal trade activities. Furthermore, overseas representation will be established at two additional sites, one in Europe and one in Asia.

Resources. California is known worldwide for its diverse natural resources. This Administration has worked diligently to protect the California coastline, acquire and enhance the state's wetlands, control pollution and improve water quality.

During the next year, the state will continue to protect wetlands, endangered wildlife habitats and coastal areas. It will also continue to

"The Administration's approach to the state's transportation needs is three-fold: to make better use of existing roads and freeways, to maintain and rehabilitate our current system, and to provide funding to expand the transportation network."

improve the air and water quality of the state.

The Administration will continue to tackle the problem of toxic waste and to get tough with those polluters who are threatening our environment and our quality of life.

Management of Government

Information Technology. Information technology has become one of the state's most valuable tools for improving efficiency and controlling the size and cost of government. The Administration recognizes that carefully planned and effectively managed information systems consistently provide an excellent return on the public's investment. This investment has proven itself over and over in terms of better services at lower cost to the people of California and has positioned state government to meet the challenges of the 21st century.

Now, as the state faces stringent fiscal and budgetary limitations, these past investments in information technology will pay additional dividends by enabling agencies to con-

tinue to provide a high level of program services without having to undertake costly program expansions. Because they have become proficient in the use of information technology, agencies will be better able to accommodate future workloads and to respond to new demands for service.

At the state level, the Administration has created a basic program for information management through:

- Identification of fundamental strategies for the development of information management capabilities in state government during the next five years;
- Promulgation of management-based policies that support the effective use of information technology in the accomplishment of agency objectives;
- Enhancement of the state's multi-agency data centers, making them among the most advanced data processing facilities in the world; and,
- Development of statewide networks that can link agency offices throughout California.

Today, agency managers recognize the strategic value of information in the accomplishment of agency programs. They appreciate how technical improvements in the collection, storage, processing and dissemination of information result in improved services to the people of California. And they are thoughtful in identifying innovative applications of information technology, in many cases acting in partnership with California's electronics industry.

The Governor's Budget affirms California's leadership in employing advanced technology to benefit the people of California by strengthening the state's information management and presses forward in the development of additional capabilities that will allow state government to continue to provide the highest quality of public service at the lowest cost.

Generally Accepted Accounting Principles. Legislation enacted in 1984 requires the state to conform its financial management system to Generally Accepted Accounting Principles (GAAP) to the maximum extent practicable. "The establishment of a system which does con-

**Table 1-1
1989-90 Revenue Dollars
(In Millions)**

<i>Source</i>	<i>General Fund Revenues and Transfers</i>	<i>Special Fund Revenues and Transfers</i>
Personal Income Tax	\$16,350	\$13
Sales Tax	13,368	80
Bank and Corporation Taxes	5,550	35
Highway Users Taxes	—	2,526
Motor Vehicle License Fees	—	2,165
Insurance Tax	1,279	—
Tobacco	167	696
Liquor Tax	126	—
Estate Taxes	421	—
Horse Racing Fees	119	41
Other	1,491	1,594
Total	\$38,877	\$7,150

**Table 1-2
1989-90 Expenditure Dollars
(In Millions)**

<i>Function</i>	<i>General Fund Expenditures</i>	<i>Special Fund Expenditures</i>
Education (K-12)	\$14,408	\$645
Health and Welfare	11,627	812
Higher Education	5,769	48
Business, Transportation and Housing	68	2,581
Tax Relief	893	—
Local Government Subventions	0	2,766
Youth and Adult Correction Agency	2,301	59
Resources	690	503
State and Consumer Services	271	262
Other	1,983	417
Total	\$38,010	\$8,093

form to Generally Accepted Accounting Principles will improve the financial management of the state; lead to compliance with the standards established by the National Bond Rating establishment”

GAAP represents uniform minimum standards and guidelines for financial accounting and reporting. The goal of GAAP is to standardize the accounting and financial reporting of organizations regardless of jurisdictional legal provisions and customs. The purpose of “Governmental GAAP” is to provide a uniform set of rules so the presentation of governmental financial reports for taxpayers, bond rating companies, legislators and other readers is consistent from year to year, as well as comparable between governmental entities. The State’s Auditor General has urged that California conform its books to GAAP for a number of years, and, in the past, has cited the incomplete implementation of GAAP as an issue needing change.

In continuing to implement the provisions of the 1984 legislation, the 1989–90 Governor’s Budget provides for the treatment of General Fund encumbrances as a reservation of fund balance rather than expenditures. This treatment is consistent with the principles that encumbrances are obligations for which goods and services have not been received and which, therefore, should not be shown as expenditures.

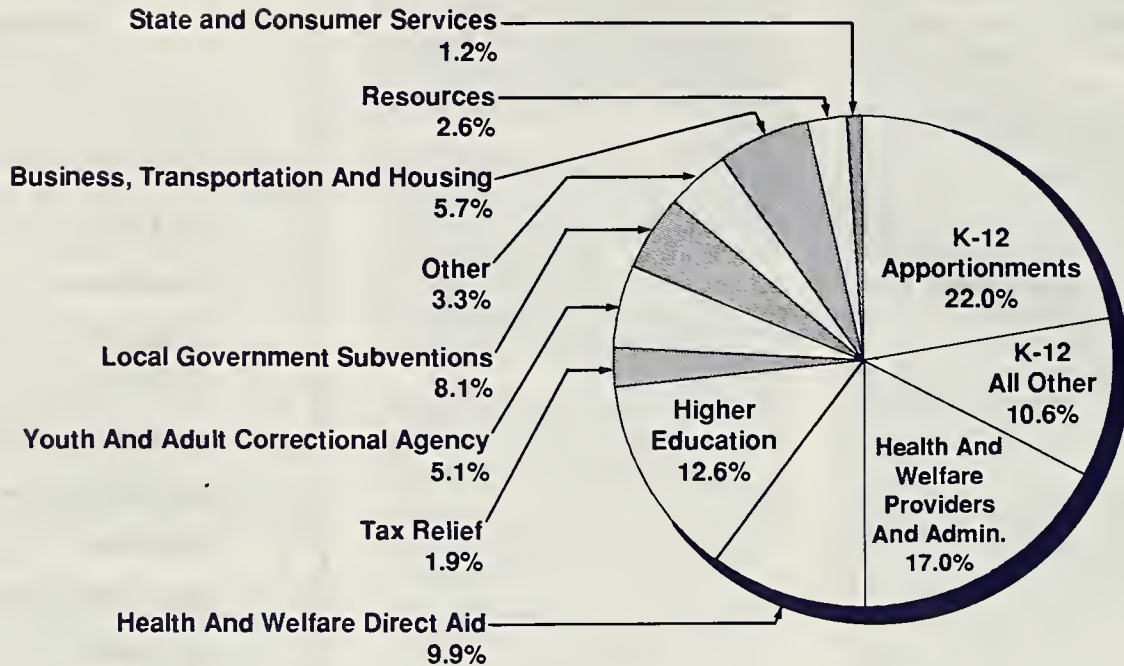
Schedule 1, which is located in the Appendix section, reflects implementation of treating encumbrances as obligations requiring a reserve. Schedule 3A, also located in the Appendix, contains additional information relating to implementation of GAAP.

The Department of Finance will continue to implement GAAP standards as timely and practically as possible.

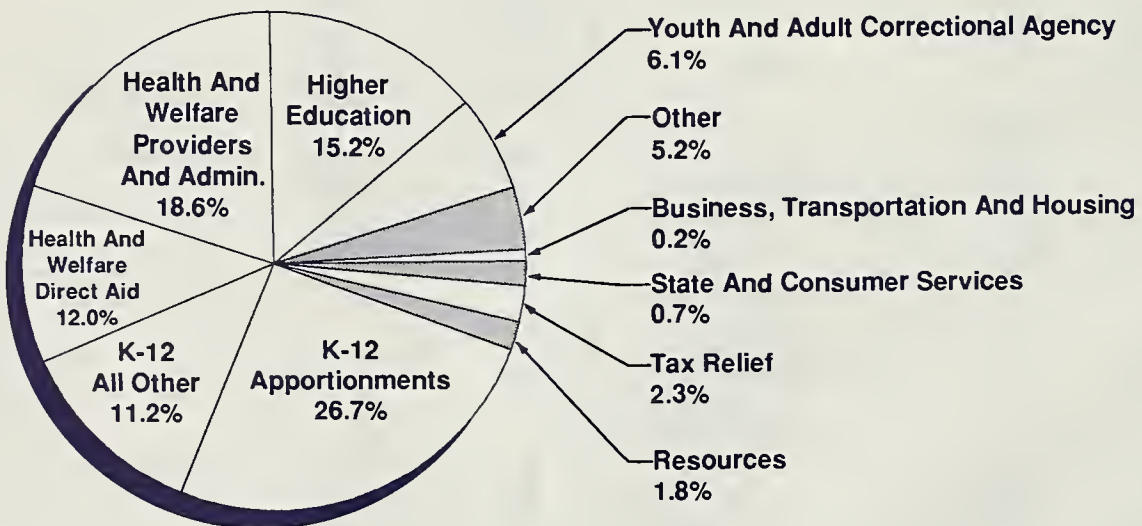
***“GAAP
represents
uniform
minimum
standards and
guidelines for
financial
accounting and
reporting.”***

EXPENDITURES 1989-90 FISCAL YEAR

TOTAL EXPENDITURES (Excluding Selected Bond Funds)

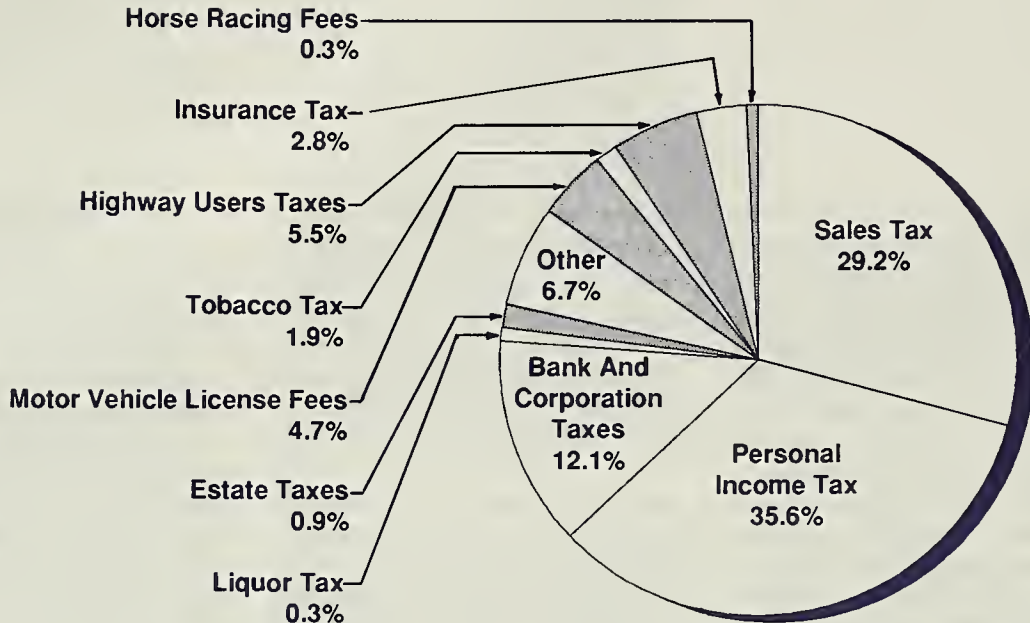


GENERAL FUND EXPENDITURES

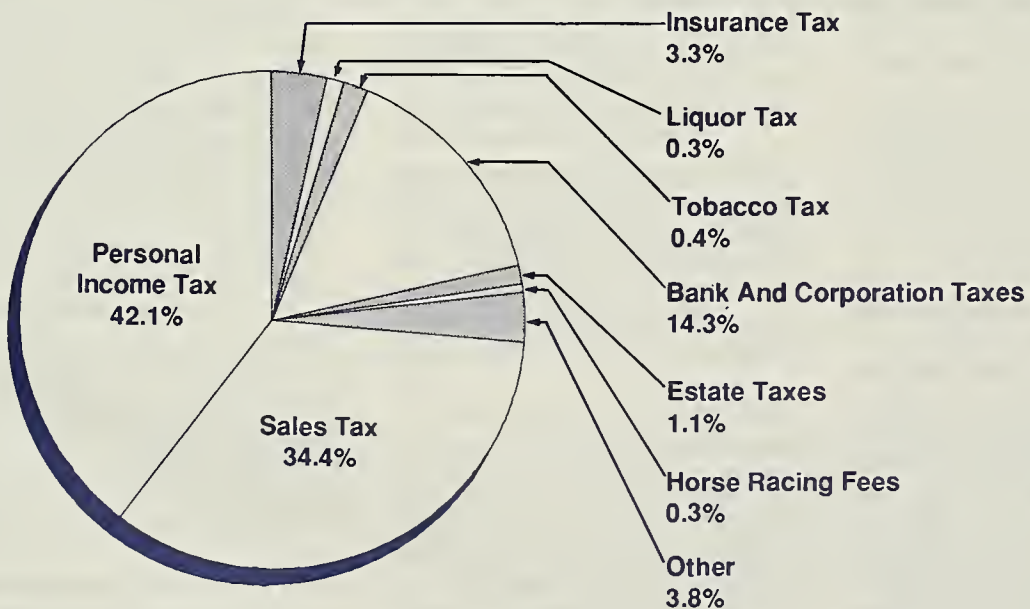


REVENUES 1989-90 FISCAL YEAR

TOTAL REVENUES AND TRANSFERS



GENERAL FUND REVENUES AND TRANSFERS



National Economy

The nation experienced another year of broadly-based growth in 1988, and thereby established a new peacetime record of six full years of uninterrupted economic expansion.

Real gross national product (GNP) was estimated to have increased 3.8 percent for the year. Nearly half the rise was attributable to continued gains in consumer spending despite signs of a somewhat lackluster consumer market during the year. Big ticket durable items recorded solid gains. New car sales rose to 10.6 million units from the 10.3 million rate of 1987 and furniture sales scored a strong gain. Nondurable goods saw only modest advances overall.

Investment was up strongly for the year and accounted for almost a third of the rise in real GNP. Producers' durable equipment benefitted from stronger export markets, with manufacturers upgrading production equipment to meet overseas demand. Homebuilding was one of the relatively few soft areas, as multifamily construction continued to sag in the aftermath of the 1986 revision of federal tax law.

Net exports were still in negative territory, but the improvement which got underway at the end of 1986 continued through the latest year. The decline in the value of the U.S. dollar led to a 17 percent rise in exports and held the growth in imports to 7.5 percent.

Government purchases were down 3.2 percent; gains in the state and local component were offset by re-

duced federal spending for both defense and nondefense programs.

Significant progress was made during the year in reducing the unemployment rate as the number of jobs rose an estimated 3.6 percent. Personal income and corporate profits each gained approximately 7 percent.

The steady improvement suggested by these data masks several major underlying developments which may become critical to the outlook for 1989 and 1990. The decline of the dollar was in the forefront much of the year. Concerns over the speed with which the dollar was falling in international markets led to higher interest rates to support the currency.

The drought impacts were widespread and are reflected in farm proprietors' income, reduced federal spending for crop support payments and strong food price rises during the critical months.

Fears of a resurgence in inflation also surfaced. The strong level of economic activity, high rates of capacity utilization, low unemployment and spot shortages of workers rekindled concerns that excessive demand was leading to a runup in costs.

The consumer price index (CPI) did see several months of accelerated gains, due in large part, to temporary impacts resulting from the drought. The index was also affected by declining prices for gasoline and fuels as crude oil prices sagged. By year-end, however, the impact of these factors was largely

eliminated and price rises had returned to the 4 percent range.

The outlook for 1989 and 1990 calls for yet another year of moderate growth, with real GNP up 2.6 percent this year and 2.5 percent next.

The Federal Reserve System is expected to tighten monetary policy slightly to dampen the economy and thereby preclude a serious surge in inflation. Measures of the money supply for the past six months suggest that a more restrained level of activity is being actively sought.

Interest rates will edge up further, but not to the level which would lead to an actual downturn in the economy. In effect, it appears likely that the monetary authorities will be able to head off inflationary pressures with modest interest rate increases. Interest rates will then be permitted to decline in 1990.

Interest-rate sensitive sectors will be affected the most. Housing starts in the nation are expected to ease to 1.39 million units in 1989, down from 1.47 million in 1988. Lower mortgage rates in 1990 will stimulate a recovery to a 1.49 million unit pace.

New car sales will also ease, averaging slightly more than 10 million units each year.

This more moderate pace of activity will restrain employment and income gains, providing some relief for labor-short markets.

The nation's trade deficit should see further improvement in this scenario with exports continuing to gain and imports held in check by higher prices for imported goods.

Inflation will remain moderate with the CPI up 4.7 percent for 1989 and 3.9 percent in 1990. Crude oil prices are forecast at \$15 to \$16 a barrel for the next two years, which is less than OPEC's \$18 target. This assumes that the recent OPEC agreement will not be entirely effective in controlling production levels. Any production over and above OPEC's

quotas can be expected to bring the price of crude oil below the \$18 target.

California

Following an exceptionally strong performance in 1987, last year California's economy grew at about the same rate as the nation. Nonfarm wage and salary employment was up 3.4 percent in the state, com-

pared to 3.6 percent nationally, while California personal income advanced 7.4 percent, slightly more than the estimated 7.3 percent national gain.

During the next two years, California's economy is expected to grow at a pace slightly above the national experience. Employment growth is forecast at 3.2 percent in 1989 and 2.8 percent in 1990, compared to na-

Figure 2-1

Growth in Nonagricultural Wage and Salary Employment

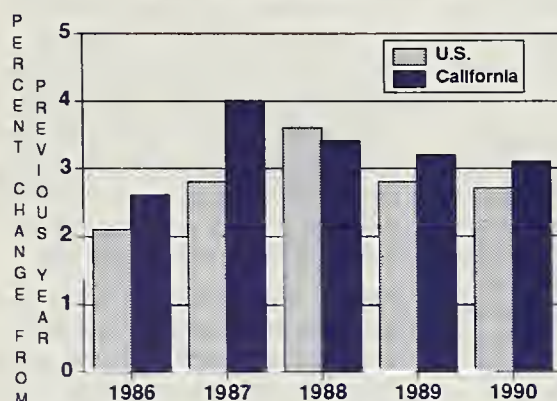


Figure 2-2

Growth in Personal Income



Figure 2-3

New Housing Units

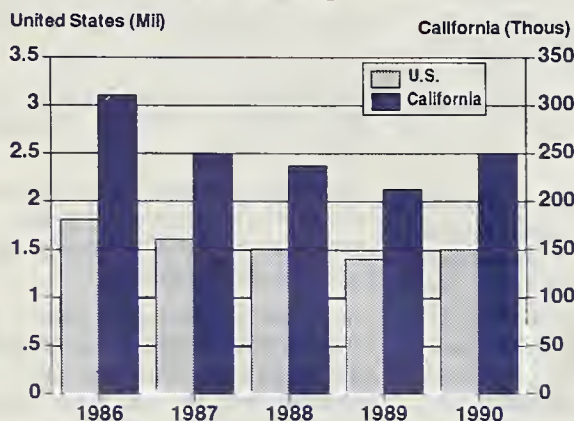
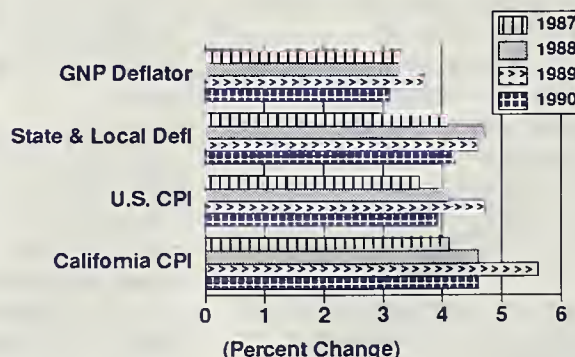


Figure 2-4

Inflation Measures



tional gains of 2.8 percent this year and 2.7 percent in 1990. Personal income growth of 7.5 percent this year and 7.1 percent next is also slightly better than the national expectation.

There are several factors which are serving to hold California's traditionally more robust economy to a pace which approximates the U.S. experience. Prominent among these is the state's low jobless rate which was below the national level throughout much of 1988.

Unemployment in most of the state's heavily populated coastal counties was below 5 percent at year end, and equally tight markets were evident in such inland areas as metropolitan Sacramento and San Bernardino County. Several counties are experiencing jobless rates of less than 4 percent, and a growing list of firms and industries have reported difficulties in filling available job openings. In the short run, these developing labor shortages are expected to restrain growth in employment and income.

On the demand side, the state's important aerospace and electronics industries are expected to be at best neutral forces over the next two years. Aerospace will feel the effects of a modest decline in defense procurement outlays related to federal budget deficit containment efforts. Continued strong demand for commercial aircraft should cushion the effects of any defense cutbacks.

Most indicators for the electronics industry point to a period of softness next year, although 1990 should see a pickup in computer and components sales. Export growth remains very strong, but with productivity growing at 20 percent annually—essential if the industry is to remain competitive—employment gains will be difficult to achieve.

Several manufacturing industries outside the high technology sectors, including apparel, metal fabricating, furniture, paper and other wood products, are expected to see continued growth over the forecast period.

Moderate growth is also expected in a variety of service industries, fi-

nance, and wholesale and retail trade. Construction is not expected to be a growth industry, but California homebuilding is forecast to remain quite robust, averaging more than 15 percent of the nation's housing production.

Consumer prices in California are expected to advance slightly more than the U.S. average, with housing and utility costs accounting for much of the difference. About half of the seemingly large gap in 1989—a rise of 5.6 percent in California versus 4.7 percent in U.S. consumer prices—reflects the effects of the state's voter-approved tobacco tax hike, which will add 0.4 percent to the 1989 CPI.

Alternative Forecasts

The economic forecast summarized above is the "most likely" outlook expected by the Department of Finance. There is, however, a high degree of uncertainty surrounding the economy at the present time. Some economists are forecasting a downturn at some time during the next 18 months. Such forecasts are based at least in part on the extremely slow rise in the nation's money supply over the past six months. In addition, yield curves based on interest rates for different maturities suggest a pronounced flattening. Historically these have been indicators of a coming downturn.

Offsetting these concerns to a large extent is the fact that business activity still shows considerable strength, without the imbalances which arise near a turning point in the economy. This suggests that the economy will probably not follow the traditional pattern, especially in the absence of an external shock such as occurred in 1973 and 1979. This leads other forecasters to suggest that steady expansion at an average or better-than-average rate into the early 1990s is likely to occur.

The Department has therefore prepared two alternative forecasts: one covering the possibility of recession, the other continued strong growth.

"The outlook for 1989 and 1990 calls for yet another year of moderate growth, with real GNP up 2.6 percent this year and 2.5 percent next."

The Recession View. There are no indicators which suggest that the U.S. economy is about to enter a recession. Even so, there is a view that a downturn could develop within the next year. Such forecasts generally arise from concerns over Federal Reserve policy. In the past, sluggish money supply growth has preceded business cycles. In recent months, the money supply, however measured, has been essentially flat on the average.

International financial markets have also come to play a far more important role in recent years as the fall in the dollar illustrates. The willingness of foreigners to hold dollar assets is now a key factor in determining not only the exchange value of the dollar but also the level of domestic interest rates. A shift in foreign portfolio preferences could push up U.S. interest rates and lead to a downturn in the economy.

In the present circumstances, any downturn in economic activity could endanger several delicate financial situations and lead to a rather deep and prolonged recession. These include Latin American debt, the pending rescue of the savings and loan industry and the large number of leveraged buyouts, many of which are predicated, for their sur-

vival, on growing cash flow and moderate interest rates.

Hence, although the Federal Reserve may well intend to bring about a "soft landing" through a gentle rise in interest rates designed to cool off a moderately heated economy, such a result cannot be assured. One thing does seem certain: the expansion, despite its record length, will not expire of old age. Recessions are triggered by policy errors, imbalances or external shocks, not the duration of an expansion.

The recession forecast assumes that interest rates move sharply higher. This, in combination with high levels of consumer debt, reduces spending on big ticket items. Auto sales sag to 9.2 million units in 1989, and 8.5 million in 1990. Housing starts fall to a 1.2 million unit pace. Employment gains are minimal by 1990, and the jobless rate rises to a peak of 7 percent.

Under this scenario, the recession gets underway in the second quarter of 1989 and continues through the second quarter of 1990, after which a strong rebound occurs.

The one favorable fallout of this forecast is a better situation for the nation's trade balance, with import growth reduced to only 1 percent for 1990.

In California, the recession forecast would cut nonfarm employment growth to 2.4 percent this year and a scant 0.3 percent in 1990. Personal income growth is sliced to 6.3 percent this year and only 4 percent in 1990. Housing permits, which in the most likely outlook remain above 200,000 units in 1989 and near 250,000 in 1990, average 185,000 for the two years under the lower alternative.

The California unemployment rate reaches 7.6 percent by the end of 1990 and averages 7.2 percent for the entire year. By 1990, the rise in California consumer prices is only 2.7 percent.

Stronger Growth. The higher alternative assumes that there are no further attempts in the near term to restrain the pace of economic growth. The economy's underlying strength is thus underestimated and a resurgence in activity follows. Consumer spending and business investment respond well and propel the economy to above average growth.

Underlying this forecast is the assumption that the decline in the dollar will continue to provide a stimulus for U.S. producers. The boom in export markets, for instance, keeps

Figure 2-5

Alternative Forecasts of Real GNP

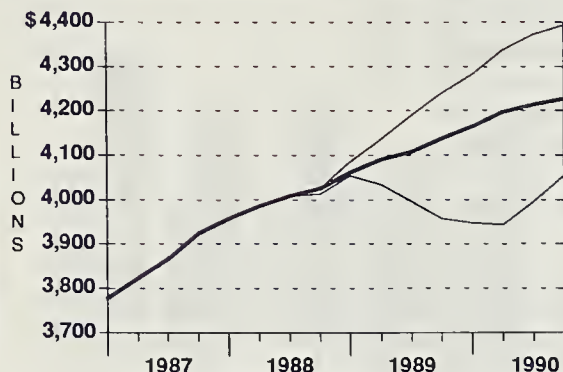
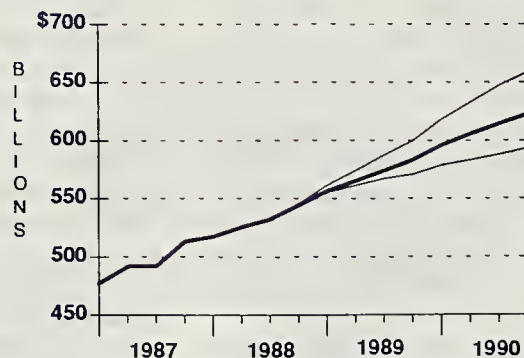


Figure 2-6

Alternative Forecasts of California Personal Income



the surge in producers' durable equipment going. Housing activity picks up in response to strong demand, rising home prices and stable mortgage rates.

Inflation also picks up, however, with the CPI rising by 6.2 percent this year and 7 percent in 1990. The Fed reverses its course and undertakes a more restrictive monetary policy in 1990. The effects of this tightening are not felt until 1991 or 1992, at which time a downturn would likely result.

Building on the national forecast, the higher alternative also assumes a return to above average growth—as compared to the nation—in California. Employment grows by 4.4 percent in 1989, more than a percentage point above the U.S. forecast, and jumps nearly 5 percent in 1990. Personal income is up 9.5 percent this year and surges more than 10 percent in 1990. The jobless rate reaches a low of 4.3 percent in early 1990 and averages well under 5 percent this year and next.

A housing boom develops, with permits near 260,000 units this year and 280,000 in 1990. California consumer prices rise 7.3 percent this year and are up nearly 8 percent in 1990.

Forecasting Accuracy

In projecting the economic outlook, it is critical to keep in mind that it is just that—a projection. Economic forecasting is not a precise science and is complicated by revisions in historical data. Preliminary figures for the current year are often extrapolations from better information available two or three years back. When new information becomes available, earlier estimates can be revised.

In the case of the GNP figures, this can lead to sharply different trends. The situation in 1987 was a classic example. Initial estimates showed a moderate growth trend through the first quarter 1988. After the mid-year revision, which revised data from 1983 forward, the 1987 growth rate 1983 forward, the 1987 growth rate

was pushed sharply higher. The difference for the first quarter 1988 was \$53.5 billion, or 1.4 percent.

Individual components of the GNP accounts saw relatively greater adjustments. The faster growth rate in history led automatically to a higher growth rate in the forecast for 1988.

Data on employment are revised to a lesser extent. Figures on the CPI are rarely changed once released.

As logic would indicate, a series which is more stable in history is easier to project than one which is constantly undergoing revision.

California personal income has other aspects as well. While wages and salaries are based on actual data reported by California to the Bureau of Labor Statistics, many other components are tied to national estimates and adjusted to reports on actual totals from the states only after a period of time.

At times, information is available at the state level which has not been used in developing the state income estimate. In such instances, the income figures may show a different than expected trend.

Perhaps the greatest problem, however, is in the national control total. Personal income components estimated for the U.S. total are used to control the sum of the states. Adjustments in the state estimates are frequently necessary to tie to the national control. The larger states take the brunt of such adjustments, and California, as the most populous state in the U.S., often sees adjustments which are difficult to reconcile with information available at the state level.

Most forecasters go out no further than one year ahead. Some believe that a six-month span is ideal since actions which will influence the outlook over that period are already in place.

For the Governor's Budget, in contrast, the forecast goes out 27 months. Virtually every series is forecast at least six times—and sometimes more often—before the first preliminary actuals are released by the U.S. Department of Commerce.

“In projecting the economic outlook, it is critical to keep in mind that it is just that—a projection. Economic forecasting is not a precise science and is complicated by revisions in historical data.”

Table 2-1
Selected Economic Data, 1988 to 1990
(Dollar Amounts in Billions)

		1989		1990	
	1988 (Estimated)	Amount	Percent Change	Amount	Percent Change
STANDARD FORECAST					
UNITED STATES					
Real gross national product (1982\$)	\$3,993.2	\$4,098.6	2.6	\$4,199.8	2.5
Personal consumption expenditures.....	2,589.6	2,655.8	2.6	2,717.1	2.3
Gross private domestic investment.....	719.5	727.3	1.1	744.9	2.4
Net exports	-97.5	-77.8	-	-62.2	-
Government purchases of goods and services ..	781.6	793.3	1.5	800.0	0.8
GNP Deflator (1982=100)	121.6	126.1	3.7	130.0	3.1
GNP (current \$)	\$4,854.7	\$5,169.0	6.5	\$5,459.3	5.6
Personal income	\$4,055.0	\$4,349.4	7.3	\$4,640.0	6.7
Corporate profits before taxes.....	\$295.1	\$296.2	0.4	\$275.4	-7.0
Wage and salary employment (thous.)	105,980	108,960	2.8	111,930	2.7
Unemployment rate (%)	5.5	5.3	-	5.2	-
Housing starts (mill.).....	1.47	1.39	-5.0	1.49	7.2
New car sales (mill.).....	10.6	10.2	-3.7	10.1	-1.2
Consumer price index (1982-84=100).....	118.2	123.8	4.7	128.7	3.9
CALIFORNIA					
Civilian labor force (thous.)	14,130	14,531	2.8	14,947	2.9
Civilian employment.....	13,371	13,784	3.1	14,173	2.8
Unemployment	759	746	-1.6	774	3.7
Unemployment rate (%)	5.4	5.1	-	5.2	-
Wage and salary employment (thous.)	12,109	12,492	3.2	12,881	3.1
Personal income.....	\$529.4	\$568.9	7.5	\$609.1	7.1
Housing units authorized (thous.)	237	212	-10.7	249	17.4
Corporate profits before taxes.....	\$48.0	\$52.0	8.3	\$55.8	7.3
New auto registrations (thous.)	1,467	1,424	-2.9	1,460	2.5
Total taxable sales	\$251.4	\$267.5	6.4	\$285.1	6.6
Consumer price index (1982-84=100).....	121.8	128.6	5.6	134.5	4.6
LOW ALTERNATIVE					
UNITED STATES					
Real GNP.....	\$3,990.1	\$4,009.2	0.5	\$3,984.6	-0.6
Personal income	4,051.1	4,292.9	6.0	4,430.0	3.2
Corporate profits.....	295.2	231.4	-21.6	197.6	-14.6
Wage and salary employment (thous.)	105,980	108,290	2.2	108,410	0.1
Unemployment rate (%)	5.5	5.7	-	6.8	-
Housing starts (mill.).....	1.46	1.26	-14.0	1.23	-1.9
New car sales (mill.).....	10.4	9.2	-11.5	8.5	-8.1
CALIFORNIA					
Nonagricultural employment (thous.)	12,107	12,401	2.4	12,445	0.3
Unemployment rate (%)	5.4	5.6	-	7.2	-
Total personal income.....	\$529.3	\$562.8	6.3	\$585.3	4.0
Housing units (thous.)	237	187	-21.2	183	-1.9
HIGH ALTERNATIVE					
UNITED STATES					
Real GNP.....	\$3,993.5	\$4,162.0	4.2	\$4,345.5	4.4
Personal income.....	4,055.8	4,388.4	8.2	4,779.9	8.9
Corporate profits.....	294.2	326.2	10.9	353.9	8.5
Wage and salary employment (thous.)	106,000	109,530	3.3	113,750	3.9
Unemployment rate (%)	5.5	5.2	-	4.9	-
Housing starts (mill.).....	1.47	1.60	9.1	1.85	15.5
New car sales (mill.).....	10.5	11.7	10.6	11.3	-2.8
CALIFORNIA					
Nonagricultural employment (thous.)	12,114	12,646	4.4	13,256	4.8
Unemployment rate (%)	5.4	4.7	-	4.4	-
Total personal income.....	\$529.7	\$580.0	9.5	\$638.6	10.1
Housing units (thous.)	237	259	9.3	278	7.3

Note: Percentage changes calculated from unrounded data.

The Federal Tax Reform Act of 1986, the state's federal conformity legislation in 1987, and the stock market crash of 1987 have contributed to a very difficult environment for forecasting revenues. The effects of these events still contribute to that difficulty and will for some time into the future. The remainder of this fiscal year and the budget year promise to be filled with uncertainty.

The most significant aspect of the Federal Tax Reform Act of 1986 was the taxpayer behavioral response to the capital gains provisions. The effective tax rate on capital gains was significantly increased while the overall tax rate was reduced. This resulted in an unexpected realization of capital gains during the final months of 1986 followed by a greater than expected decline in such realizations in 1987. Serious questions remain as to taxpayer behavior with respect to capital gains realizations for 1988 and 1989, critical to current and budget year revenues. The personal income tax is the largest single source of General Fund revenue and, by some calculations, capital gains realizations account for between 15 percent and 20 percent of this revenue. Considerable uncertainty will always be associated with this revenue component. However, with several years of consistent taxpayer behavior, the forecast accuracy should be significantly improved.

In 1987 the state conformed to many of the provisions in federal law for both the personal income

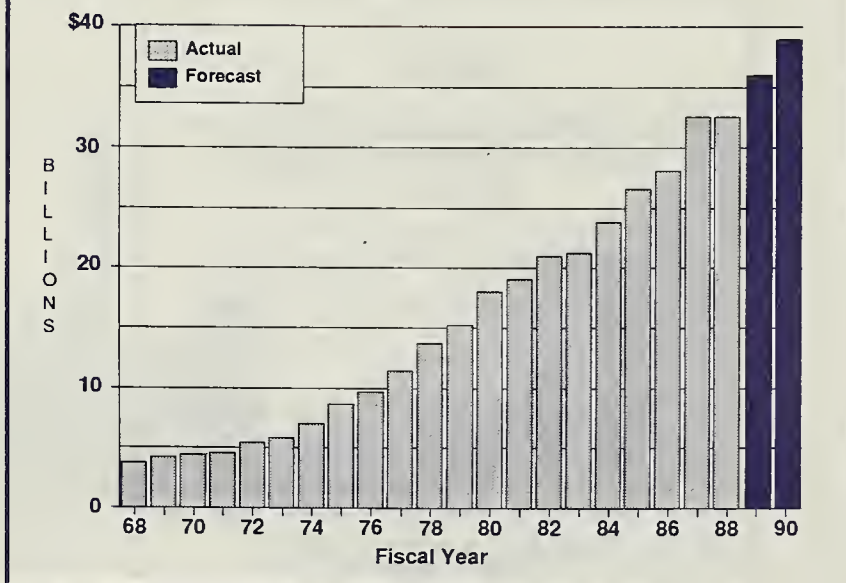
tax and the bank and corporation franchise tax. That year also experienced the now famous October 1987 stock market crash. It is always difficult to predict taxpayer behavior when major changes to the law or the economy occur and to have both at the same time significantly complicated forecasting. The state's law was changed in many areas affecting business including depreciation schedules, Sub-Chapter S corporations, ac-

counting provisions, net operating loss carry forward, and tax rates. The interaction effects of so many changes also contributes to forecast difficulty.

This year voters approved substantial changes to the insurance law. Although language exists to hold the state harmless for the loss of revenue due to reduced insurance tax premiums, there is no certainty that such revenues will not be affected in the short run. The in-

Figure 3-1

General Fund Revenues



creased tax on cigarettes should be relatively easy to predict but there is no experience for the new tax on other tobacco products. Since forecasting is essentially applying the experience of the past, there is considerable risk in the forecast of any new revenue.

Overall, General Fund revenues and transfers, which represent 84 percent of total revenues will amount to \$36 billion in the current fiscal year and \$38.9 billion, or 8 percent more in the budget-fiscal year. Figure 3-1 shows the trend in General Fund revenues for the past 21 years and estimated current and

budget year collections. Special funds are expected to be \$7.9 and \$7.2 billion, respectively for the two fiscal years.

What are the risks of the forecast? No precise probability statement can be made but a careful review of the individual revenues and the most uncertain components has been made to produce a high and a low forecast. The objective is not to provide an absolute upper and lower limit or a best and worse case scenario but, rather, a most likely band of possibility. Also included in Table 3-1 is a long range forecast.

General Fund

Personal Income Tax—\$16,350,000,000.

The California personal income tax, which contributes over 40 percent of all General Fund revenues, is closely modeled after the federal income tax law. It is imposed on net taxable income (gross income less exclusions and deductions) from California sources. The tax is progressive with rates ranging from 1 to 9.3 percent. Personal, dependent, and other credits are allowed against the gross tax liability. In addition, taxpayers may be subject to an alternative minimum tax (AMT) which is much like the federal AMT. This is designed to ensure that excessive use of tax preferences does not reduce taxpayers' liabilities below some minimum level. The AMT is equal to 7 percent of the alternative minimum taxable income that exceeds an exemption amount.

The personal income tax is adjusted annually by the change in the consumer price index to prevent taxpayers from being pushed into higher tax brackets without a real increase in income.

Chapter 1138, Statutes of 1987, restructured the State's personal income tax to closely conform with federal law, thus simplifying state tax return preparation. The full impact of that legislation will not be felt for several years since many of the provisions were phased in over time.

The difficulty of forecasting personal income tax receipts is enhanced by the progressive nature of the tax. One dollar of income on a high income tax return can generate 9.3 times the revenue from a dollar on a low income return. In addition, the very high income taxpayers usually have a great deal of discretion over the realization of income and the timing of deductions. Thus, substantial changes in the portfolios or tax planning of relatively few taxpayers can have a dramatic impact on state revenues. In 1986, for example, the top three percent of state taxpayers, those with adjusted gross incomes of over \$100,000, paid nearly 42 per-

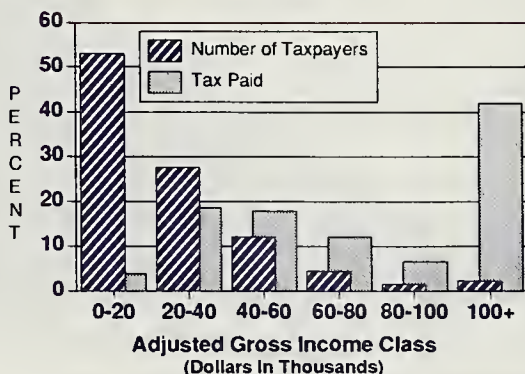
Table 3-1

General Fund Alternate and Long-Range Revenue Forecasts (Dollars in Millions)

Fiscal Year	Low Alternative	Budget Forecast	High Alternative
1988-89	\$34,200	\$36,002	\$37,800
1989-90	\$35,800	\$38,877	\$41,600
1990-91		\$41,900	
1991-92		\$45,200	

Figure 3-2

Percent of Total Taxpayers and Total Tax by Adjusted Gross Income Class 1986 Data



cent of the personal income tax. This is demonstrated in Figure 3-2 which shows the percent of total returns and tax paid by adjusted gross income class.

The income component of the economic forecast forms the basis for the personal income tax forecast. Capital gains income, which is not part of the national income accounts, is forecast separately using real economic activity and stock market trends. Figure 3-3 illustrates stock market and capital gains patterns since 1976. Real estate activity in the state is also used as a guide.

The historical trend in capital gains has been greatly distorted in the last two years by the adoption of national and state tax reform. Capital gains realizations surged in 1986, before the preferential federal tax treatment expired, and dropped dramatically in 1987. Many of the 1986 gains were believed to have been borrowed from those which would normally have occurred in 1987. The borrowing from 1988

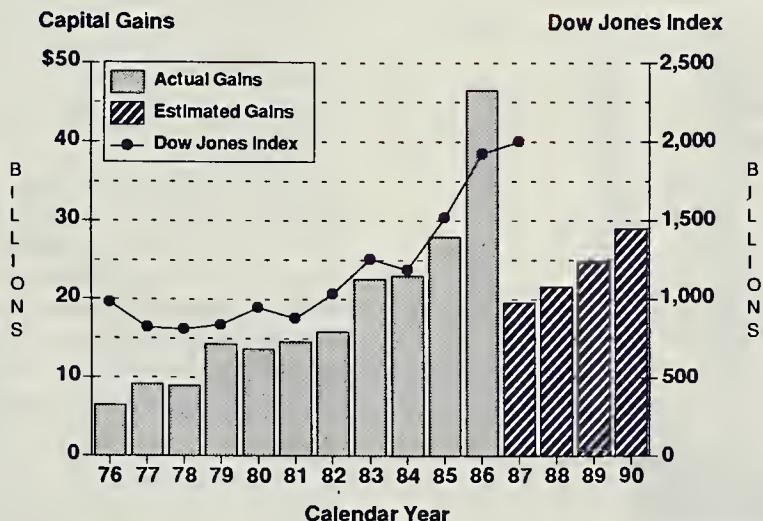
should be substantially less, thus reducing one element which depressed 1987 realizations. In addition, the California real estate market appears to be good. California's gains should be aided by foreign buying since the prices that are reportedly being offered to sellers are high enough to overcome any reluctance to sell due to higher tax rates. Opposing these positive factors, however, the new President has advocated reinstatement of preferential treatment for capital gains, which may induce some taxpayers to postpone gains in hopes of more favorable future treatment.

The forecast assumes capital gains realizations will grow by 10 percent in 1988 and 15 percent in 1989. However a great deal of uncertainty continues to exist and, therefore, the margin for error is large. Much depends upon taxpayer expectations related to potential federal law changes.

The magnitude of the problem is illustrated by the fact that actual in-

“The historical trend in capital gains has been greatly distorted in the last two years by the adoption of national and state tax reform.”

Figure 3-3
**Capital Gains Profits
and Closing Dow Jones Index**



come tax collections during 1987–88 were approximately \$1 billion below 1986–87 revenue. There is only one time in modern history (since 1951) where actual collections have shown a decline in this tax. That was between 1972–73 and 1973–74 when revenues went down approximately

\$50 million. This was due to a graduated income tax credit ranging between 20 and 35 percent which reduced 1973–74 collections over \$400 million.

Adjustments to the forecast include:

- Chapter 1239, Statutes of 1988, which allowed employers a credit

for child care expenditures for their employees. This reduced the forecast by \$4.3 million in both the current and budget years.

- A recent court decision which allowed the flow-through of certain tax-exempt interest to mutual fund shareholders is expected to reduce revenues by \$85.4 million in 1988–89 and \$95.7 million in 1989–90.
- Additional funding for FTB audit staff is expected to generate \$14 million in the current year and \$57 million in the budget year.

Estimated revenues for the current and budget years, compared with actual collections in 1987–88, are:

(Dollars in Millions)	
1987–88 (Actual)	\$12,947
1988–89 (Estimated)	14,715
1989–90 (Estimated)	16,350

Sales Tax—\$13,368,000,000.

The sales tax is imposed upon retailers for the privilege of selling tangible personal property in California. Most retail sales and leases are subject to the tax. However, exemptions have been provided for certain essentials such as food for home consumption, prescription drugs, gas, electricity and water. Other exemptions provide relief for a variety of sales ranging from candy to aircraft.

The breakdown of the 6 percent rate currently imposed is:

- 4.75 percent represents the State tax rate;
- 1 percent is for cities and counties; and
- 0.25 percent is for county transit systems.

An additional 0.5 percent rate is levied by various transit districts for the support of public transit systems.

There has also been a move over recent years for counties, subject to voter approval, to increase their sales tax rates to provide additional funds, particularly for transportation, but also for other purposes. These levies are in addition to any existing transit district taxes, bringing the combined sales tax rate for these counties to 6.5 or 7 percent—the

Table 3-2
Counties Authorized to Impose Additional Local Sales Tax Rates

<i>County</i>	<i>Combined State and Local Rate (Percent)</i>
Alameda	7.0
Contra Costa	7.0
Fresno	6.5
Inyo	6.5
Los Angeles	6.5
Riverside	6.5
Sacramento	6.5
San Benito	6.5
San Diego	7.0
San Francisco	6.5
San Mateo	7.0
Santa Clara	7.0
Santa Cruz	6.5

Figure 3 - 4

1987 Taxable Sales by Major Component

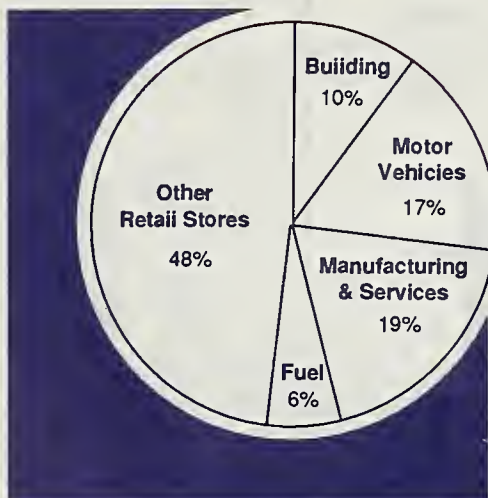


Table 3-3
Taxable Sales in California
(Dollars in Millions)

	<i>1987 Actual</i>	<i>1988 Estimated</i>	<i>1989 Estimated</i>	<i>1990 Estimated</i>
Motor vehicle dealers, auto repairs and parts, etc.....	\$38,369	\$42,680	\$44,600	\$47,410
Percent change	-0.1	11.2	4.5	6.3
Producers and refiners of petroleum, service stations, etc.	\$14,793	\$15,890	\$16,550	\$17,070
Percent change	7.4	7.4	4.2	3.1
Building materials including contractors	\$23,592	\$25,840	\$27,110	\$29,020
Percent change	7.6	9.5	4.9	7.0
Manufacturing and services	\$43,865	\$47,750	\$51,010	\$54,260
Percent change	8.5	8.9	6.8	6.4
All other retail stores.....	\$111,251	\$118,940	\$126,800	\$134,970
Percent change	8.1	6.9	6.6	6.4
Chapter 1144/1987 (mail order sales)	—	\$270	\$1,410	\$2,370
Total taxable sales	\$231,870	\$251,370	\$267,480	\$285,100
Percent change	6.6	8.4	6.4	6.6

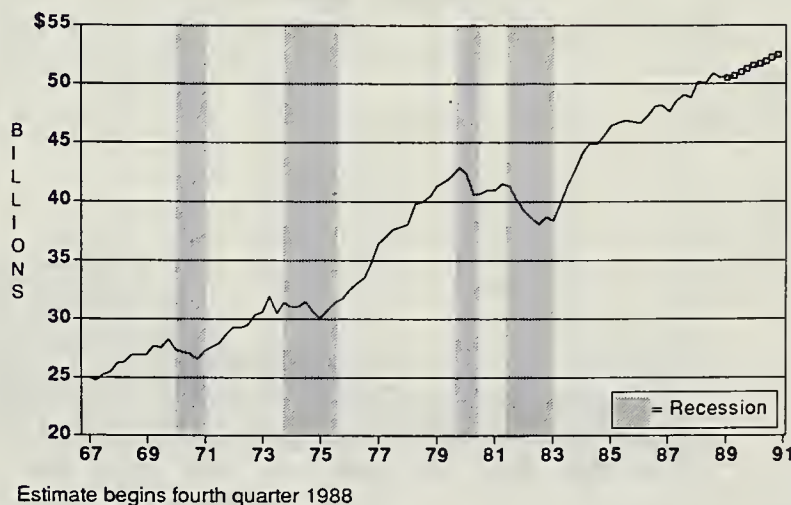
maximum combined rate allowed under law. As of the November 1988 general election, 13 counties were authorized to levy these additional rates as noted in Table 3-2.

The sales and use tax forecast is prepared by relating taxable sales by type of sale to various economic factors such as disposable personal income, housing starts, employment and inflation. A summary of the forecast is presented in Table 3-3.

Motor vehicle sales have continued to be a major factor for California revenues, representing almost one-fifth of the sales tax revenue base. (See Figure 3-4 which contains a percentage breakdown of major components.) The apparent slowdown that occurred in 1987 is attributable to a shift of sales into 1986—a result of federal tax reform and the loss of the sales tax deduction for income tax purposes. Similarly, this shift has distorted the growth for 1988. Regardless of this law change, however, the sales of vehicles in California has held strong

Figure 3-5

**Taxable Sales in California
(Constant 1982 Dollars)**



through early 1988 and is not expected to slow through the forecast period.

For the first half of 1988, total taxable sales were up 8.6 percent, 8.0 percent excluding motor vehicles. Overall, all sectors performed well, with building materials sales showing particular strength—up 10.5 percent. For the first quarter of 1988, fuel prices, at 83 cents per gallon excluding tax, were at their lowest level since the late 1970's, increasing to 90 cents per gallon for the second quarter. Prices are estimated to remain relatively flat through the forecast period, increasing only slightly. Even with these lower prices, the fuel component has shown significant growth over the past two years, due to increased fuel consumption and increased enforcement efforts to stop sales tax evasion on fuel sales.

As can be seen in Figure 3-5, taxable sales, adjusted for inflation, have grown at a relatively constant

rate since recovering from the last recession. This trend is expected to continue through the budget year, consistent with the economic outlook of continued, moderate growth.

Existing law requires that a transfer be made from the Retail Sales Tax Fund to the Transportation Planning and Development (TP&D) Account based on a formula which determines whether the sales tax, at 4.75 percent of all items, generates more revenue to the General Fund than the prior tax law which taxed items, excluding gasoline, at 5 percent. It is estimated that \$73 million will be transferred during 1988–89, increasing to \$80 million during 1989–90.

Effective April 1, 1988, the federal government changed its taxation of diesel fuel by imposing the tax at the point of distribution rather than retail sale. Because of this change, that federal tax is now considered part of the total selling price of diesel fuel and as such, is subject to the sales tax. This change is estimated to in-

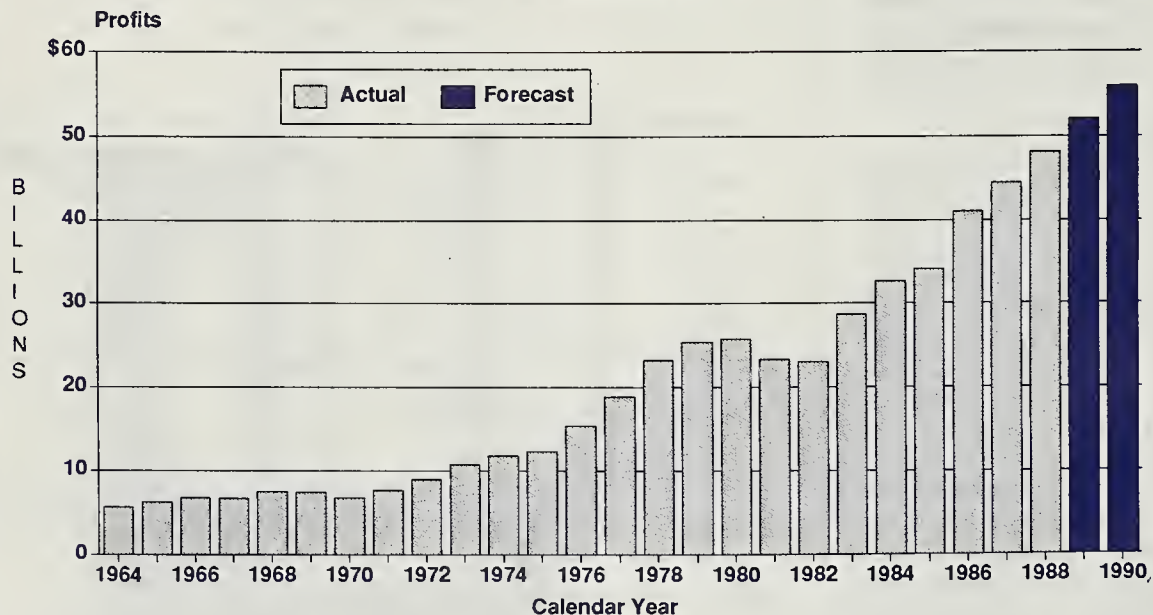
crease state sales tax revenues by roughly \$13 million annually. (This revenue is included in the amount to be transferred to the TP&D Account.)

Proposition 99, effective January 1, 1989, increased the cigarette tax by 25 cents and imposed a new excise tax on other types of tobacco products. Because these taxes are considered part of the total selling price for sales tax purposes, this proposition is estimated to increase state sales tax revenues by \$14 million for the current year and roughly \$30 million annually thereafter.

Legislation enacted in 1987 attempted to compel out-of-state retailers to collect the California use tax on mail order sales. This is expected to increase revenues by \$25 million in the current year and \$108 million in the budget year. It is also assumed that federal legislation will be enacted in 1989 to support the state's effort.

Figure 3-6

**Bank and Corporation Tax
Taxable Profits**



General Fund revenues for the current and budget years, compared with actual collections in 1987-88, are:

(Dollars in Millions)	
1987-88 (Actual)	\$11,631
1988-89 (Estimated)	12,520
1989-90 (Estimated)	13,368

Bank and Corporation Tax—\$5,550,000,000.

Bank and corporation tax revenues are actually derived from four taxes:

- The franchise tax and the corporate income tax are levied at a 9.3 percent rate on profits. The former is imposed on corporations for the privilege of doing business in California, while the latter is imposed on corporations which do not do business in the State but which derive income from California sources. These are primarily firms engaged wholly in interstate commerce and holding companies.
- Banks and other financial corporations pay an additional tax (i.e., "Bank Tax") on their net income. This tax is in lieu of all State and local taxes except those on real property, motor vehicles and business licenses. The current rate for this tax is approximately 1.3 percent.
- The alternate minimum tax is similar to that in federal law. This tax is imposed at a rate of 7 percent beginning with the 1988 tax year. In prior years, California imposed a tax on preference income.
- A minimum franchise tax of \$300 is imposed on corporations subject to the franchise tax but not those subject to the income tax. This tax is scheduled to increase to \$600 for the 1989 tax year and \$800 for subsequent years.

Since the tax is a function of corporate profits, the relationship of California profits to the national corporate profits forecast is important. However, the relationship is not precise because business activity in California may differ from that of the nation. Furthermore, state tax law defines profits differently, and national profits are the net of all gains

and losses whereas California taxable profits are gains only.

The preparation of the forecast involves consideration of the level of employment, the trends in non-corporate business income, interest rates and inflation. In addition, the forecast of California taxable profits for 1988 is influenced by actual estimated payment revenues.

Figure 3-6 shows the trend in taxable profits from 1964 to date. The rapid growth since the mid-70's is clearly apparent, as are the 1970 and 1981 recessions. This forecast assumes continued growth with no recession on the horizon.

The National Tax Reform Act of 1986, which was signed into law in October 1986, made significant changes to Federal law. The state's revenues were positively impacted in the 1986-87 fiscal year as some taxpayers made additional state tax payments for the old federal law deductions. In September 1987 the California Bank and Corporation Tax Fairness, Simplification, and Conformity Act of 1987 was enacted. This law adopted many of the new federal provisions and substantially revised California law. Nevertheless, significant differences between the laws still exist, for example, depreciation schedules. Although designed to be revenue neutral, the actual impact of the bill is not totally clear.

Although there were a number of bills passed in 1988, none had a significant revenue impact on this tax. Additional funding for audit staff is expected to generate \$11 million in the budget year.

In addition to the general fund revenue, it is forecast that the Unitary Fund will receive \$10 million in election fees in the current year and \$35 million in the budget year. Estimated General Fund revenues for the current and budget years, compared with actual collections in 1987-88, are:

(Dollars in Millions)	
1987-88 (actual)	\$4,776
1988-89 (forecast)	5,215
1989-90 (forecast)	5,550

“. . . taxable sales, adjusted for inflation, have grown at a relatively constant rate since recovering from the last recession.”

Insurance Tax—\$1,279,000,000.

The majority of insurance written is subject to a 2.35 percent gross premium tax. For insurers, this premium tax takes the place of all other state and local taxes except those on real property and motor vehicles. Exceptions to the 2.35 percent rate are certain pension and profit-sharing plans which are taxed at the lesser rate of 0.50 percent, surplus lines at 3 percent and ocean marine insurers at 5 percent of underwriting profits.

An annual survey conducted by the Department of Finance is used to project insurance premium growth. Responses were obtained from 192 insurance companies, accounting for more than one-half of the insurance written in California. The growth rate in taxable premiums is expected to moderate from the double-digit experience of recent years. During the past four years, taxable premiums for total lines of insurance have almost doubled,

growing from \$23.8 billion in 1983, to \$44.1 billion in 1987. The growth in insurance tax revenues from 1983-84 through 1989-90 is illustrated in Figure 3-7. The results of the most recent survey indicate that taxable premiums will total \$47.4 billion in 1988 (7.5 percent over 1987) and \$50.7 billion in 1989 (a 7 percent increase). Figure 3-8 illustrates the premiums by insurance type from which tax revenue is derived.

Proposition 103, enacted by the voters November 8, 1988, mandates a 20 percent reduction in certain insurance premiums. The measure includes a provision that the gross premiums tax rate will be adjusted to compensate for any decrease in revenue which would result from the premium reductions.

In addition to the revenue from taxable premiums, the conclusion of litigation resulted in revenue of \$51 million during 1987-88, and is estimated to result in an additional \$208 million in 1988-89.

The estimated revenue for the current and budget years, compared with actual revenue for 1987-88, (including the impact of litigation) is:

(Dollars in Thousands)

1987-88 (Actual)	\$1,158,321
1988-89 (Estimated)	1,411,000
1989-90 (Estimated)	1,279,000

Estate/Inheritance/Gift Taxes—\$421,000,000.

Proposition 6, adopted by the voters on June 8, 1982, repealed the inheritance and gift taxes and imposed an estate tax designed to pick up the maximum credit allowed against the federal estate tax, otherwise known as the "pick up tax." This tax does not increase the liability of the estate due to the fact that it would otherwise be paid to the federal government. As a result, the date of death of the decedent or the date a gift is made determines which tax laws prevail. For state tax purposes, the former inheritance and gift taxes apply to deaths and gifts occurring prior to June 8, 1982, whereas transfers attributable to deaths on or after that date would only be subject to the federal credit. The "pick up tax" is computed on the basis of the federal "taxable estate." Tax rates range from 0.8 to 16 percent.

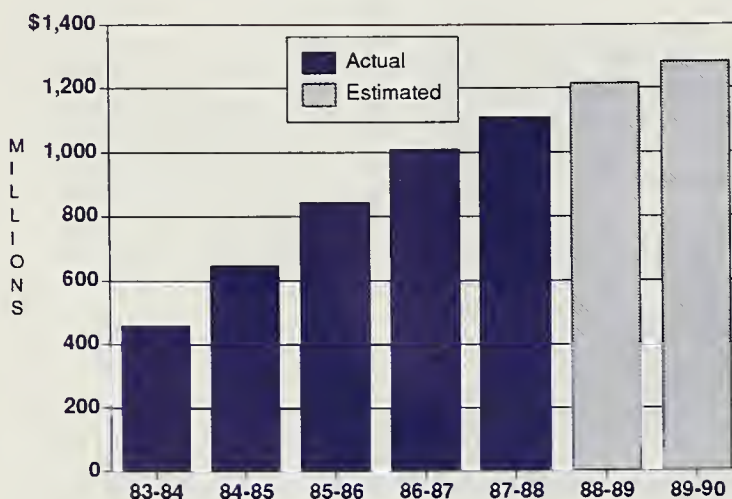
Revenues for fiscal year 1987-88 were less than expected as the State Controller accepted property in lieu of \$75 million in settlement of one large estate. Fourteen other payments of over \$1 million, totalling \$33.5 million, were also made during that year. While specific large payments cannot be identified at this time, we would expect to receive similar payments of this magnitude during the budget year.

This revenue forecast has three parts; estate tax, inheritance tax and gift tax. As the backlog of settlements for inheritance and gifts prior to Proposition 6 are concluded, revenues from these two taxes will eventually decline and finally cease altogether. At the same time the estate tax is showing strong growth.

The estimated revenue for the current and budget years, compared to actual revenue for 1987-88, is:

Figure 3-7

Insurance Tax Revenue 1983-84 through 1989-90



Note: Excludes the one-time effect of litigation in 1987-88 and 1988-89.

(Dollars in Thousands)

1987-88 (Actual)	\$304,148
1988-89 (Estimated)	376,000
1989-90 (Estimated)	421,000

Cigarette Tax—\$167,000,000.

Beginning January 1, 1989, after voters approved a constitutional amendment, the excise tax imposed on distributors selling cigarettes in the state was increased from 10 to 35 cents per package. At the same time, an excise tax on cigars, chewing tobacco, pipe tobacco and snuff was implemented at a tax rate equivalent to the tax on cigarettes. Twenty-five cents of the tax per package of cigarettes, and all of the tax on the other tobacco products, are allocated to a special fund for distribution as determined by the measure. Ten cents of the tax per package of cigarettes is allocated 30 percent to local government and 70 percent to the State General Fund.

Projections of total and per capita consumption of cigarettes provide the basis for the cigarette tax estimate. Per capita consumption has been on a decline in recent years and this decline is expected to con-

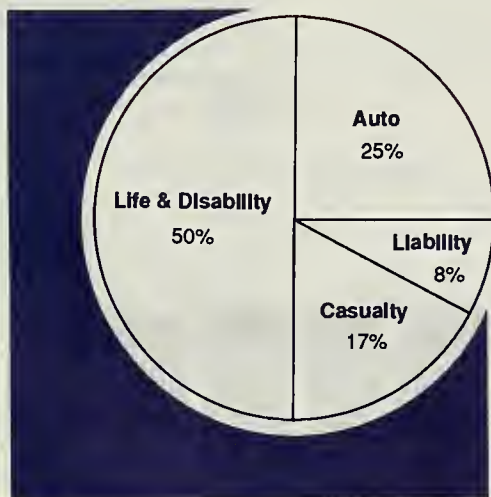
tinue through the budget period. Per capita consumption in 1988-89 is expected to decrease 4.5 percent from 1987-88 and drop another 4.5 percent in 1989-90. The estimated increase in population will not completely offset the decline in per capita consumption, resulting in declines in total consumption of approximately 2.5 percent in the current and budget years. Wholesale price data provide the basis for the revenue estimate for other tobacco products. Tobacco industry data indicate that Californians consume 9 percent of the pipe tobacco, 7 percent of the cigars, 5.6 percent of the snuff and 1.4 percent of the chewing tobacco sold nationally. It is estimated that declines in total consumption of other tobacco products will be similar to the projections made for cigarettes.

Taxable distributions of cigarettes in 1987-88 amounted to 2.55 billion packs; 2.49 billion packs are projected for 1988-89 and 2.42 billion packs for 1989-90. The taxable wholesale value of other tobacco products is estimated to total \$31.8 million in 1988-89 (one-half year), and \$74.4 million in 1989-90. Per

“Projections of total and per capita consumption of cigarettes provide the basis for the cigarette tax estimate. Per capita consumption has been on a decline in recent years and this decline is expected to continue . . . ”

Figure 3 - 8

Insurance Tax Premiums by Category



capita consumption of cigarettes is illustrated in Figure 3-9. Cigarette and tobacco tax revenues from 1983-84 through 1989-90, including the impact of the constitutional amendment, are illustrated in Figure 3-10. Tobacco products tax revenue estimates are shown in Table 3-4.

Alcoholic Beverage Taxes—\$126,000,000.

Taxes on alcoholic beverages are levied on the sale of distilled spirits, beer and wine. Tax rates vary with the type of alcoholic beverage, as indicated below:

Beer	\$0.04 per gallon
Dry wine	\$0.01 per gallon
Sweet wine	\$0.02 per gallon
Sparkling wine	\$0.30 per gallon
Distilled spirits	\$2.00 per gallon

Alcoholic beverage tax estimates are based on projections of total and per capita consumption for each type of beverage.

Total and per capita consumption of beer and all varieties of wine decreased slightly last year. Total consumption of beer and wine is expected to grow over the next several years due to the increase in population, although per capita consumption is expected to continue a slow decline. The decline in total and per capita consumption of distilled spirits, underway since 1981, is expected to continue.

Total alcoholic beverage tax revenues from 1983-84 through 1989-90, are illustrated by source in Figure 3-11. Estimated per capita consumption for the current and budget years, compared with the actual for 1987-88, is shown in Table 3-5. Estimated revenues for the current and budget years, compared with the actual for 1987-88, are:

(Dollars in Thousands)

1987-88 (Actual)	\$128,734
1988-89 (Estimated)	127,000
1989-90 (Estimated)	126,000

Horse Racing Revenue—\$119,000,000.

Horse racing revenue comes primarily from license fees imposed on amounts wagered. The license fee revenue schedule is based upon many factors, including the amount

Figure 3-9

Cigarette Consumption Per Capita 1980-81 through 1989-90

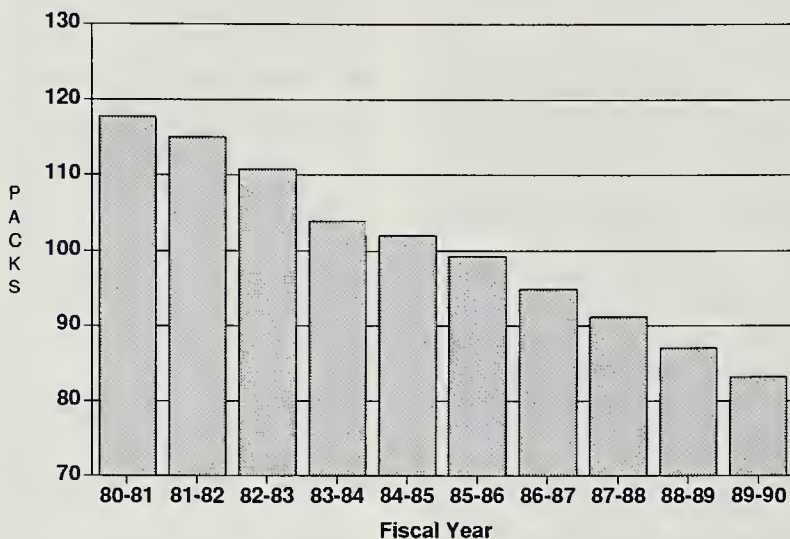
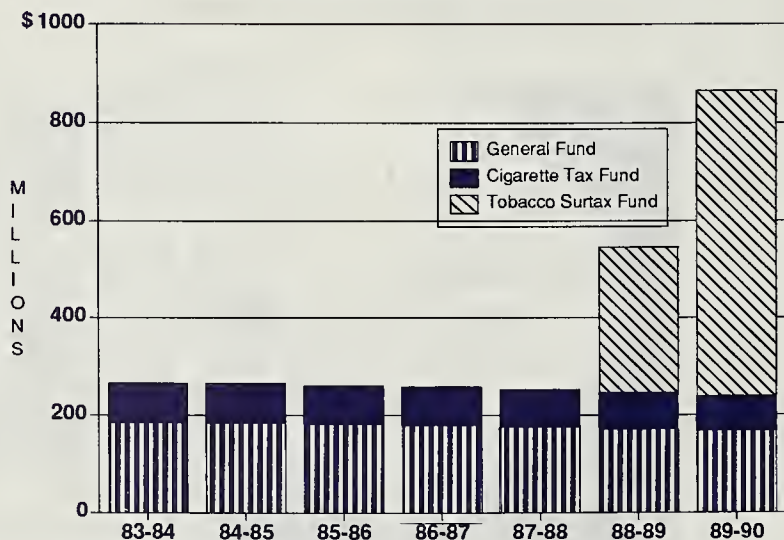


Figure 3-10

Cigarette and Tobacco Tax Revenue 1983-84 through 1989-90



The Cigarette and Tobacco Products Surtax became operative January 1, 1989.

Table 3-4
Tobacco Products Tax Revenue
(Dollars in Thousands)

	<i>1987-88 Actual</i>	<i>1988-89 Estimated</i>	<i>1989-90 Estimated</i>
General Fund	\$175,973	\$172,000	\$167,000
Cigarette Fund	74,599	73,000	71,000
Tobacco Surtax	—	300,000	625,000
Total	\$250,572	\$545,000	\$863,000

wagered, the location of the track, the type of wager and whether or not the wager is made on track or at a satellite facility. Other revenue sources include breakage (the odd cents not paid to winning ticket holders), unclaimed parimutuel tickets, occupational license fees, fines and penalties.

Legislation in 1987 expanded satellite wagering to fair locations in Central and Southern California. It was previously estimated that after an initial decline in revenues and increase in expenses, satellite wagering would bring in an additional \$3 million to the Fairs and Exposition Fund while maintaining the same level of revenue to the General Fund when all of the wagering facilities are in full operation.

After one year of implementation, actual experience has found that the Satellite Wagering Account is receiving approximately \$9 million, with \$14 million in satellite revenues

projected for the budget year. At the same time, the General Fund revenue declined to \$110 million in

1987-88. Table 3-6 provides information on total parimutuel pools and receipts from horse racing during the budget period.

Interrelated factors are contributing to the decline in General Fund revenues. First, as more satellite facilities become available it becomes more convenient for the public to wager off track. Since 1983-84 there has been a declining trend in on-track daily attendance, as illustrated in Figure 3-12. As most General Fund revenue is generated by on-track wagers, this change in public behavior decreases revenue. Every time one dollar moves from on- to off-track take out on thoroughbred racing, the General Fund loses 23.4

Figure 3-11
Alcoholic Beverage Tax Revenue
1983-84 through 1989-90

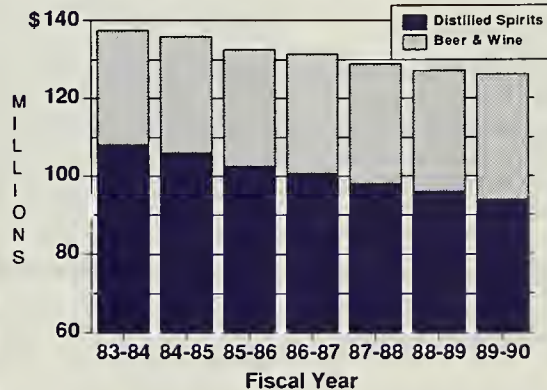


Table 3-5
Per Capita Consumption
(In Gallons)

	<i>1987-88 Actual</i>	<i>1988-89 Estimated</i>	<i>1989-90 Estimated</i>
Beer	23.21	23.25	23.25
Dry wine	3.83	3.75	3.70
Sweet wine	.32	.31	.30
Sparkling wine	.35	.34	.33
Distilled spirits	1.75	1.67	1.60

cents. As thoroughbred racing accounts for about 80 percent of all revenue generated, any shift will greatly affect General Fund revenue.

SB 14 included a provision that if General Fund revenue does not reach \$115 million in the current year, an extra half percent in license fee at satellite wagering locations will go to the General Fund effective July 1, 1989. As it is anticipated that this floor will not be met in the current year, the forecast includes this

Table 3-6

Horse Racing Revenue
(Dollars in Thousands)

	<i>1987-88 Actual</i>	<i>1988-89 Estimated</i>	<i>1989-90 Estimated</i>
Amount			
Wagered:	\$2,300,000	\$2,953,000	\$3,047,000
Receipts:			
General Fund	\$110,013	\$110,000	\$119,000
Fair & Expo- sition Fund	26,393	23,775	25,898
Satellite Wager Account	9,247	13,475	14,352
Wildlife Restora- tion Fund	750	750	750
Total	\$146,403	\$148,000	\$160,000

additional license fee for the budget year. It will account for an increase of approximately \$5.5 million to the General Fund.

Special Fund Revenue

The California Constitution, codes and statutes specify the uses of certain revenue. Such receipts are accounted for in various special funds. In general, Special Fund revenues comprise three categories of income:

- Receipts from tax levies which are allocated to specified functions, such as motor vehicle taxes and fees.
- Charges for special services to specific functions, including such items as business and profession license fees.
- Rental royalties and other receipts designated for particular purposes—for example, oil and gas royalties.

Motor vehicle related taxes and fees account for 66 percent of all Special Fund revenue. Principal sources of this income are motor vehicle fuel taxes, registration and weight fees, and vehicle license fees. During the 1989-90 fiscal year, \$4.7 billion will be derived from the ownership or operation of motor vehicles. Ap-

proximately \$2.8 billion of this revenue will be returned to local governments. The remainder will be available for various state programs related to transportation and services to vehicle owners.

Funds from the voter approved increase in tobacco related taxes are allocated to a special fund for distribution to a variety of accounts as determined by the measure. Receipts for this fund are estimated at

\$300 million in the current year and \$625 million in the budget year. The original 10 cents per package tax on cigarettes is allocated 70 percent to the General Fund and 30 percent to a special fund for distribution to cities and counties. It is estimated that these distributions will equal \$73 million during 1988-89 and \$71 million in 1989-90.

Motor Vehicle Fees—\$3,361,708,000.

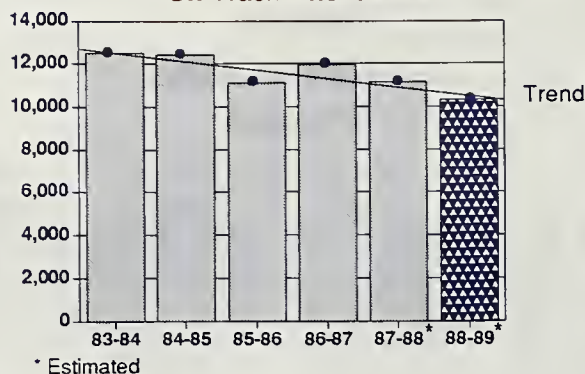
Motor vehicle fees consist of vehicle license, registration, weight, driver's license fees and various other charges related to vehicle operation.

The vehicle license fee is imposed for the privilege of operating a vehicle on the public highways in California. This tax is imposed in-lieu of a local personal property tax on automobiles and is administered by the Department of Motor Vehicles. All of the revenues from this tax, excluding administrative costs, are apportioned to local governments for general purpose use.

The vehicle license fee is calculated on the vehicle's "market value," which is the cost to the purchaser exclusive of sales tax, adjusted by a depreciation schedule. For motor vehicles, the schedule is based on a 10-year depreciation period; an 18-

Figure 3-12

Average Daily Horse Racing On Track Attendance



year depreciation period is used for trailer coaches. A two percent rate is applied to the depreciated value to determine the fee. Revenue from this source is contingent on the number of vehicles in the state, the ages of those vehicles and their original prices.

Vehicle license fee revenues increased dramatically from 1983–84 through 1987–88. This rapid growth was due to the economy moving into a strong recovery period coupled with a change in the depreciation schedule. New vehicle sales remained exceptionally strong for this period due to pent-up demand and dealer incentives. For the five years combined, over 6.6 million automobiles were sold as opposed to 4.9 million for the prior five years. Also over this period, Californians purchased a proportionally larger number of vehicles than would be expected based on national trends. Historically, California sales accounted for roughly 10 percent of the total vehicles sold in the nation. Beginning in 1983–84, however, our share began to rise and by 1987–88, California accounted for over 14 percent of the national sales volume.

While new automobile sales remained strong through 1987–88, they were up only 3.3 percent and 2.3 percent for fiscal years 1986–87 and 1987–88, respectively. For the forecast period, new vehicle sales are estimated to be relatively constant, with an average new vehicle price increase of approximately 5 percent annually.

Registration fees are levied at a flat rate on all motor vehicles, trailers, semi-trailers and certain types of dollies. Trucks and trailers are also subject to weight fees.

Allowing for scrappage and for vehicles entering and leaving the state, total fee-paid registrations (autos, trucks, trailers and motorcycles) including a proportional factor for multi-state vehicles, at year end are estimated at 23,568,000 for 1988–89 and 24,313,000 for 1989–90. Motor vehicle fees revenue is summarized in Table 3-7.

Motor Vehicle Fuel Taxes—\$1,329,850,000.

The motor vehicle fuel license tax (gasoline) and the use fuel tax (diesel) provide the major sources of funds for maintaining, replacing and constructing state highway and transportation facilities. Close to one-half of these revenues are apportioned to local jurisdictions for streets and highway use.

The gas tax is imposed on the distribution of gasoline and other flammable liquids. Distributions of diesel fuel, liquid petroleum gas (LPG), alcohol fuel and kerosene are not included under this tax. The current tax rate for motor vehicle fuel is 9 cents per gallon. Aircraft jet fuel is taxed at 2 cents per gallon.

The use fuel tax is imposed on diesel fuel, LPG, natural gas and alcohol fuel for use on state highways. The current tax rates are 9 cents per gallon of diesel fuel, 7 cents per 100 cubic feet of compressed natural gas, 6 cents per gallon of LPG or liq-

“The motor vehicle fuel license tax (gasoline) and the use fuel tax (diesel) provide the major sources of funds for maintaining, replacing and constructing state highway and transportation facilities.”

Table 3-7

Motor Vehicle Fees Revenue (In Thousands)

	<i>1987–88 Actual</i>	<i>1988–89 Estimated</i>	<i>1989–90 Estimated</i>
Vehicle License Fees	\$1,877,790	\$2,015,000	\$2,165,200
Registration, Weight & Other Fees	<u>1,096,325</u>	<u>1,145,008</u>	<u>1,196,508</u>
	\$2,974,115	\$3,160,008	\$3,361,708

uid natural gas and 4.5 cents per gallon of alcohol fuel. In addition, a person may elect to pay a flat rate fuel tax based on vehicle weight in lieu of the tax on LPG. Local transit systems and certain common carriers pay 1 cent per gallon.

Gasoline consumption and tax revenues are sensitive to the retail price of fuel as can be seen in Figure 3-13.

ure 3-13. As prices began to rise in the late 1970's, consumption dropped—but picked up again as prices eased. By the second quarter of calendar year 1988, gasoline prices, excluding tax, were at 90 cents per gallon—up 7 cents from the prior quarter where prices hit their lowest point since 1979. For the forecast period, prices are estimated to remain relatively flat, in-

creasing on the average of approximately 2 cents per gallon annually. Similarly, consumption growth is expected to continue at a moderate rate, increasing approximately 1.5 percent per year.

Highway consumption of diesel fuel is estimated by projecting the trend of past distributions with adjustments to reflect changes in the economy. Consumption of diesel fuel, which is also impacted by price, increased 3.6 percent during 1987–88. It is estimated that this rate of growth will continue through the forecast period, consistent with the economic outlook of continued moderate growth. Motor vehicle fuel revenues are shown in Table 3-8.

Figure 3-13
Gasoline Sales and
Average Price per Gallon

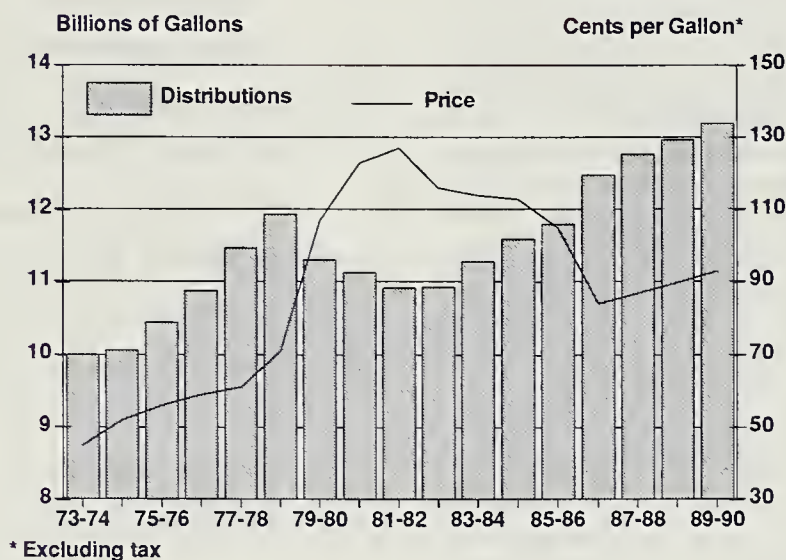


Table 3-8
Motor Vehicle Fuel Tax Revenue
(Dollars in Thousands)

	<i>1987-88 Actual</i>	<i>1988-89 Estimated</i>	<i>1989-90 Estimated</i>
Gasoline	\$1,131,864	\$1,149,850	\$1,169,850
Diesel	147,868	154,000	160,000
Total	\$1,279,732	\$1,303,850	\$1,329,850

Table 3-9

Summary of State Tax Collections
(Excludes Departmental, Interest and Miscellaneous Revenue)

	<i>Per Capita Personal Income</i> ^{1,2}	<i>State Tax Collections (Millions)</i>		<i>Taxes per Capita</i> ¹		<i>Taxes per \$100 of Personal Income</i> ³	
		<i>General Fund</i>	<i>Total</i>	<i>General Fund</i>	<i>Total</i>	<i>General Fund</i>	<i>Total</i>
1967-68	\$3,838	\$3,558	\$4,676	\$185.55	\$243.86	\$4.83	\$6.35
1968-69	4,158	3,963	5,173	203.94	266.21	4.90	6.40
1969-70	4,485	4,126	5,409	208.96	273.94	4.66	6.11
1970-71	4,746	4,290	5,599	214.08	279.41	4.51	5.89
1971-72	4,958	5,213	6,599	256.22	324.34	5.17	6.54
1972-73	5,360	5,758	7,229	279.72	351.18	5.22	6.55
1973-74	5,836	6,379	7,877	305.67	377.45	5.24	6.47
1974-75	6,433	8,045	9,574	379.95	452.16	5.91	7.03
1975-76	6,951	9,069	10,710	421.07	497.26	6.06	7.15
1976-77	7,646	10,781	12,525	491.48	570.98	6.43	7.47
1977-78	8,373	12,952	14,826	579.46	663.30	6.92	7.92
1978-79	9,411	14,188	16,201	621.30	709.45	6.60	7.54
1979-80	10,526	16,860	19,057	724.94	819.41	6.89	7.78
1980-81	11,603	17,808	20,000	748.86	841.04	6.45	7.25
1981-82	12,723	19,109	21,556	787.45	888.28	6.19	6.98
1982-83	13,235	19,579	22,375	789.92	902.73	5.97	6.82
1983-84	13,926	22,309	25,685	881.47	1,014.86	6.33	7.29
1984-85	15,096	25,515	29,038	989.72	1,126.38	6.56	7.46
1985-86	16,016	26,982	30,916	1,023.67	1,172.93	6.39	7.32
1986-87	16,792	31,331	35,368	1,160.36	1,309.88	6.91	7.80
1987-88	17,821	31,231	35,616	1,128.98	1,287.50	6.34	7.22
1988-89†	18,708	34,646	39,617	1,224.28	1,399.94	6.54	7.48
1989-90†	19,689	37,380	42,937	1,293.56	1,485.86	6.57	7.55

¹ Per Capita computations are based on July 1 populations estimates.

² Personal income data is on a calendar year basis (e.g., 1987 for FY 1987-88).

³ Taxes per \$100 personal income computed using calendar year personal income e.g. 1987 income related to 1987-88 tax collections.

† Estimated

Table 3-10
Comparative Yield of State Taxes, 1967-68 through 1989-90
(Dollars in thousands)

<i>Year-Ending June 30</i>	<i>Sales and Use</i>	<i>Personal Income</i>	<i>Bank and Corpora- tion¹</i>	<i>Tobacco²</i>	<i>Estate Inheritance & Gift³</i>	<i>Insurance⁴</i>	<i>Alcoholic Beverages</i>	<i>Horse Racing</i>	<i>Motor Vehicle Fuel⁵</i>	<i>Vehicle Fees⁶</i>
1968	1,464,927	952,487	576,874	219,272	135,554	121,155	94,896	54,799	581,127	437,918
1969	1,652,979	1,101,691	592,303	237,328	158,815	130,312	99,612	59,839	625,667	469,655
1970	1,753,611	1,152,053	587,013	236,878	164,299	136,733	105,908	58,244	668,537	498,992
1971	1,808,052	1,264,383	532,091	239,721	185,699	158,423	106,556	64,601	674,635	513,202
1972	2,015,993	1,785,618	662,522	247,424	220,192	170,179	112,091	69,380	712,426	547,845
1973	2,198,523	1,884,058	866,117	253,602	260,119	179,674	114,884	72,693	746,196	596,922
1974	2,675,738	1,829,385	1,057,191	258,921	231,934	201,697	119,312	78,289	742,702	644,448
1975	3,376,078	2,579,676	1,253,673	261,975	242,627	202,991	120,749	86,637	752,234	664,453
1976	3,742,524	3,086,611	1,286,515	268,610	316,648	241,224	125,313	96,117	766,555	749,936
1977	4,314,201	3,761,356	1,641,500	269,384	367,964	322,476	127,485	102,702	810,321	807,782
1978	5,030,438	4,667,887	2,082,208	273,658	365,092	387,560	132,060	111,591	850,181	924,410
1979	5,780,919	4,761,571	2,381,223	268,816	416,955	420,184	140,059	112,856	896,591	1,021,856
1980	6,623,521	6,506,015	2,510,039	290,043	465,611	446,228	138,940	127,002	852,752	1,096,640
1981	7,131,429	6,628,694	2,730,624	278,161	530,185	460,926	142,860	129,779	839,994	1,127,293
1982	7,689,023	7,483,007	2,648,735	276,824	482,300	454,984	139,523	119,626	833,446	1,373,354
1983	7,795,488	7,701,099	2,536,011	271,621	517,875	736,929	136,209	120,159	928,633	1,614,993
1984	8,797,865	9,290,279	3,231,281	263,231	236,452	457,490	137,433	141,001	1,213,167	1,906,290
1985	9,797,564	10,807,706	3,664,593	262,868	296,805	643,139	135,786	133,814	1,159,637	2,137,326
1986	10,317,930	11,413,040	3,843,024	258,141	252,810	839,939	132,262	131,592	1,194,172	2,515,295
1987	10,904,022	13,924,527	4,800,843	255,076	273,089	1,008,804	131,288	131,733	1,245,881	2,692,835
1988	11,650,531	12,947,185	4,776,388	250,572	304,148	1,158,321	128,734	146,403	1,279,732	2,974,115
1989 †	12,593,000	14,728,100	5,225,000	545,000	376,000	1,411,000	127,000	148,000	1,303,850	3,160,008
1990 †	13,448,000	16,363,100	5,585,000	863,000	421,000	1,279,000	126,000	160,000	1,329,850	3,361,708

¹ Includes the corporation income tax.

² Proposition 99, of 1988, increased the cigarette tax to \$0.35 per pack and added an equivalent tax to other tobacco products.

³ Proposition 6, of 1982, repealed the inheritance and gift taxes and imposed an estate tax equal to the maximum allowable Federal estate tax credit effective for decedents dying on or after June 8, 1982.

⁴ The conclusion of litigation resulted in additional revenue of \$51 million in 1987-88, and is estimated to result in an additional \$208 million in 1988-89.

⁵ Motor vehicle fuel tax (gasoline), use fuel tax (diesel) and liquefied petroleum gas.

⁶ Registration and weight fees, motor vehicle license fees and other fees.

† Estimated

Table 3-11

Outline of State Tax System As Of January 1, 1989

<i>Major Taxes and Fees</i>	<i>Base or Measure</i>	<i>Rate</i>	<i>Administering Agency</i>	<i>Fund</i>
Alcoholic Beverage				
Excises:				
Beer	Gallon.....	\$0.04	Equalization ¹	General
Distilled Spirits.....	Gallon.....	\$2.00	Equalization	General
Wine:				
Dry	Gallon.....	\$0.01	Equalization	General
Sweet	Gallon.....	\$0.02	Equalization	General
Sparkling	Gallon.....	\$0.30	Equalization	General
Hard cider	Gallon.....	\$0.02	Equalization	General
Bank and Corporation:				
General Corporation.....	Net income	9.3% ²	Franchise ³	General
Banks and Financial Corporations.....	Net income	12.0% Max	Franchise.....	General
Alternate Minimum Tax.	Alternate Taxable Income.....	7.0%	Franchise.....	General
Tobacco:				
Cigarette.....	Package	\$0.35 ⁴	Equalization	Cigarette Tax ⁵ and Cigarette and Tobacco Products Surtax
Other Tobacco Products	Wholesale price.....	41.67%	Equalization	Cigarette and Tobacco Products Surtax
Energy Resources Surcharge	Kilowatt hours	\$0.0002	Equalization	Energy Resources Surcharge Fund
Horse Racing License.....	Amount wagered.....	1.0-12.78%	Horse Racing Board.....	Fair and Expo, ⁶ Satellite Wagering ¹³ Wildlife Restoration and General
Estate	Breakage.....	0-100%	Horse Racing Board.....	General
Insurance	Taxable Federal estate	0.8-16%	Controller.....	General
Liquor license fees	Gross Premiums.....	2.35% ⁷	Insurance Dept.....	General
	Type of license	Various	Alcoholic Beverage Control	General
Motor Vehicle:				
Vehicle license fees	Market value.....	2%	Motor Vehicle Dept.....	Motor Vehicle License Fee ⁸
Fuel—gasoline.....	Gallon.....	\$0.09	Equalization	Motor Vehicle Fuel ⁹
Fuel—diesel	Gallon.....	\$0.09	Equalization	Motor Vehicle Fuel
Registration fees	Vehicle.....	\$23.00	Motor Vehicle Dept.	Motor Vehicle ¹⁰
Weight fees	Unladen Weight.....	Various	Motor Vehicle Dept.	State Highway ¹¹
Personal Income	Taxable income	1-9.3%	Franchise.....	General
Alternate Minimum Tax.	Alternate Taxable Income.....	7.0%	Franchise.....	General
Private Railroad Car	Valuation	¹²	Equalization	General
Retail Sales and Use.....	Receipts from sales or lease of taxable items	4.75%	Equalization	General and State Transportation Fund

¹ State Board of Equalization.² Minimum Tax \$600 per year in 1989, and \$800 thereafter.³ Franchise Tax Board.⁴ This tax is levied at the rate of 1 3/4 cents per cigarette.⁵ 30 percent of the cigarette tax is remitted to local jurisdictions.⁶ For support of county fairs and other activities.⁷ Ocean marine insurance is taxed at the rate of 5 percent of underwriting profit attributable to California business. Special rates also apply to certain pension and profit sharing plans and surplus lines.⁸ For return to cities and counties.⁹ For administrative expenses and apportionment to State, counties and cities for highways, airports and small craft harbors.¹⁰ For support of State Department of Motor Vehicles, California Highway Patrol, other agencies and motor vehicle related programs.¹¹ For state highways and State Department of Motor Vehicles administrative expense.¹² Average property tax rate in the State during preceding year.¹³ For construction of Satellite Wagering Facilities and health and safety repairs at fair sites.

Source: State of California, Department of Finance.

Elementary and Secondary Education

California's elementary and secondary education system is composed of 1,018 local school districts and 58 county offices of education which spend over \$22 billion annually in educating approximately 4.9 million students ranging in age from shortly after birth to age 18 and approximately 1.7 million adults.

As indicated in Table 4-1 and Figure 4-1, approximately \$23.4 billion of the public's resources will be devoted to the State's public elementary and secondary education sys-

tem during 1989-90. This represents an increase of 85 percent above the \$12.6 billion devoted to K-12 education when this Administration assumed office.

As Figure 4-2 indicates, revenue for the support of K-12 education comes from various sources. Approximately 67.6 percent (\$15.8 billion) is provided by the State. Another 19.7 percent (\$4.6 billion) comes from local property taxes. The remaining 12.7 percent comes from the federal government (\$1.8 billion) and from miscellaneous local sources (\$1.2 billion).

Continuing Commitment to Education

Providing a quality education for the people of California continues to be the highest spending priority of the Administration. The 1989-90 Governor's Budget is consistent with our prior efforts to ensure that California's educational system continues to be among the best in the nation.

In the 1983-84 fiscal year, the Governor signed Chapter 498, Statutes of 1983 (SB 813), which initiated reforms in the area of student academic performance and discipline, curriculum and quality of teachers.

Figure 4-1

Total Revenue for K-12 Education

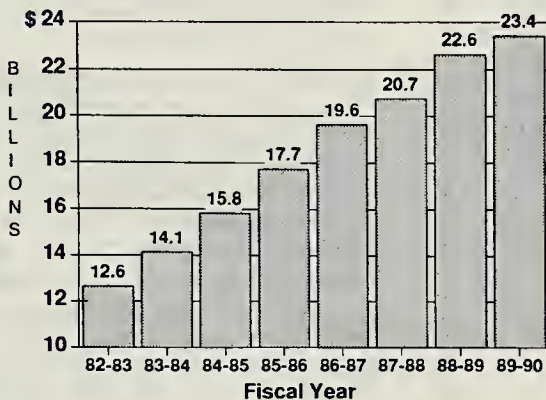


Figure 4 - 2

Revenue for California's Schools
Where Money Comes From

(Dollars in Billions)

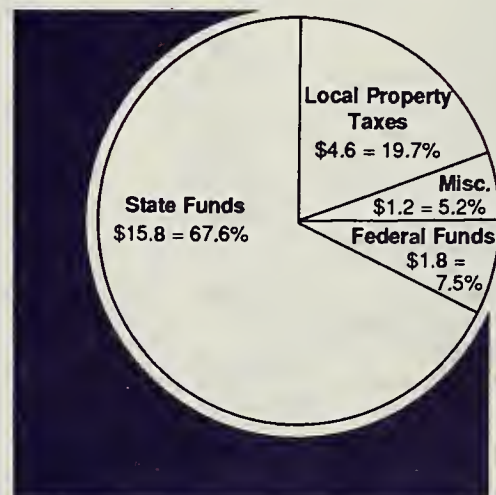


Table 4-1

**Total Revenue for K-12 Education
1982-83 through 1989-90
(Dollars in Millions)**

<i>Source of Funds</i>	<i>1982-83</i>	<i>1983-84</i>	<i>1984-85</i>	<i>1985-86</i>	<i>1986-87</i>	<i>1987-88 *</i>	<i>1988-89 *</i>	<i>1989-90 *</i>
State General Fund.....	\$7,743	\$8,930	\$10,013	\$11,072	\$12,245	\$12,632	\$13,487	\$14,407
Lottery Fund	—	—	—	556	411	651	763	763
Other State Funds.....	189	213	420	334	757	799	1,105	666
Federal Funds	1,030	1,202	1,197	1,256	1,355	1,454	1,660	1,750
Local Property Taxes	2,462	2,541	2,867	3,195	3,483	3,809	4,092	4,342
Local Debt Service	450	444	425	391	338	312	288	270
Local Miscellaneous	758	803	861	953	988	1,070	1,227	1,234
TOTAL REVENUE.....	\$12,632	\$14,133	\$15,783	\$17,757	\$19,577	\$20,727	\$22,622	\$23,432

* Estimated

TABLE 4-2

K-12 EXPENDITURES PER STUDENT

	<i>K-12 Expenditures per Student (Dollars)</i>	<i>GNP Deflator (1988-89 = 100)</i>	<i>Real K-12 Expenditures per Student (in 1988-89 Dollars)</i>
1970-71.....	\$829	34.8	\$2,382
1971-72.....	925	36.7	2,520
1972-73.....	1,011	38.5	2,626
1973-74.....	1,219	41.5	2,937
1974-75.....	1,290	45.8	2,817
1975-76.....	1,452	49.4	2,939
1976-77.....	1,576	52.5	3,002
1977-78.....	1,777	56.0	3,173
1978-79.....	1,849	60.7	3,046
1979-80.....	2,066	66.0	3,130
1980-81.....	2,224	72.5	3,068
1981-82.....	2,391	78.5	3,046
1982-83.....	2,398	82.3	2,914
1983-84.....	2,623	85.3	3,075
1984-85.....	2,928	88.2	3,320
1985-86.....	3,272	90.6	3,611
1986-87.....	3,442	93.5	3,681
1987-88.....	3,559	96.3	3,696
1988-89.....	3,720 *	100	3,720 *
1989-90.....	3,862 *	103.3	3,739 *
Percentage Change 1970-71 to 1989-90.....	365.9	196.8	57.0
Percentage Change 1982-83 to 1989-90.....	61.0	25.5	28.3

* Estimated

NOTE: Data include expenditures not practiced by Proposition 98.

To assist local education agencies in implementing those reforms, the Governor approved substantial increases in Kindergarten through Grade 12 education funding in fiscal years 1983-84 through 1988-89. Since 1982-83, funding for K-12 has increased by 85 percent while student population has only increased by 17 percent.

In keeping with the Administration's commitment to improve the quality of K-12 education, the Governor's Budget proposes a funding level of \$18.8 billion in State and local funds, an increase of \$1.2 billion above the 1988-89 level. This funding will provide the State's public schools with \$3,862 per student, which is the greatest amount ever provided, even after adjusting for inflation.

As Table 4-2 indicates, expenditures per student will have increased from \$829 to \$3,862 between 1970-71 and 1989-90. This increase is shown graphically in Figure 4-3.

As Table 4-2 also indicates, 1989-90 expenditures per student, in real terms, will be 57 percent higher than in 1970-71. Real expenditures per student will have increased from \$2,914 in 1982-83 to \$3,739 in 1989-90. This represents a 28 percent increase in real expenditures per student during the first seven budgets of this Administration. In comparison, real expenditures per student declined by three percent, from \$3,002 to \$2,914, during the

seven years before this Administration assumed office.

Proposition 98

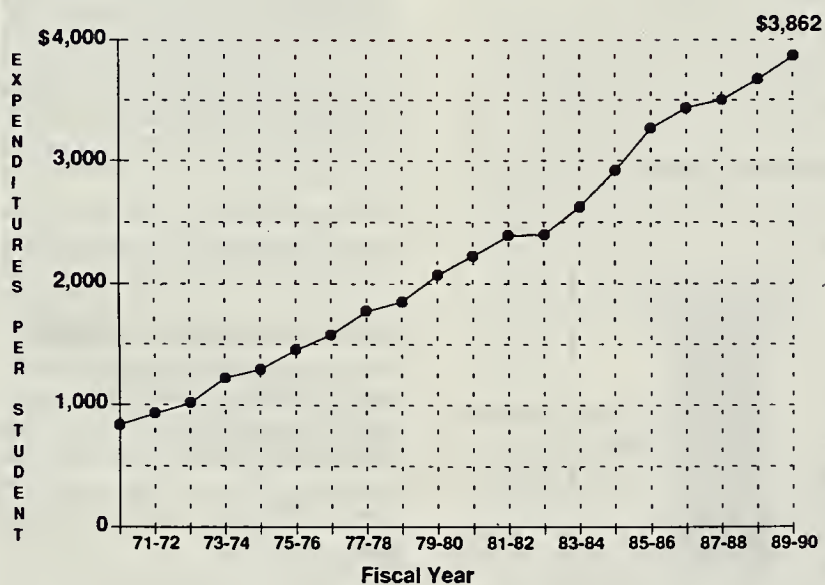
Proposition 98, as enacted by the California voters in the November 1988 general election, requires a major restructuring in state financing for elementary and secondary schools, and community colleges, by providing a guaranteed minimum level of funding. School districts and community colleges are guaranteed either the same percentage of General Fund tax revenues they received in 1986-87, or the prior year funding level adjusted for enrollment and cost-of-living, whichever is the greater amount. Because schools have funding priority over other state programs, the consequences of Proposition 98 are dramatic. This initiative also requires that a prudent state reserve be established to set aside funds for times of need or emergency.

In 1978, the voters approved Proposition 4 which limits state spending and requires tax revenues collected in excess of the state spending limit to be rebated to the taxpayers or be used to fund exempt expenditures such as debt service. Proposition 98 amended this process. Schools will now receive all of the excess revenues which would otherwise be used for other priority programs or rebated to the taxpayers up to a maximum of 4 percent of the base level of funding. Although the amount of funds that can be transferred to schools is capped, the excess revenues transferred to schools become part of the guaranteed school funding level in subsequent years providing a permanent, rather than one-time funding entitlement. In addition, the State Appropriations Limit is raised in the next year by an amount equal to the transfer made to schools. Under the provisions of this initiative, schools must spend funds derived from ex-

"This funding will provide the State's public schools with \$3,862 per student, which is the greatest amount ever provided, even after adjusting for inflation."

Figure 4-3

K-12 Expenditures Per Student



cess revenues for instructional improvement and accountability, class size reduction, instructional supplies, direct student services to ensure promotion to the next grade level, staff development and teacher compensation.

It is important to note that not all expenditures in the areas of elementary, secondary and community college education are covered by the provisions of Proposition 98. In fact, more than \$800 million General Fund and \$10 billion all funds expenditures are not covered (see Figure 4-4). For the General Fund, the expenditures not covered by Proposition 98 are primarily in the areas of debt service payments made by the state in the school building program, contributions made by the state to the Teachers' Retirement System and the costs of the Department of Education and the California Community Colleges' Chancellor's Office. A detailed listing of the expenditures which are covered by the guarantees of Proposition 98 is found in Schedule 9A.

The Governor's Budget is consistent with the provisions of Proposition 98. Funding also is set aside in a prudent reserve to be allocated at the end of the year on K-14 deficiencies and other educational purposes.

Highlights of the K-12 Budget

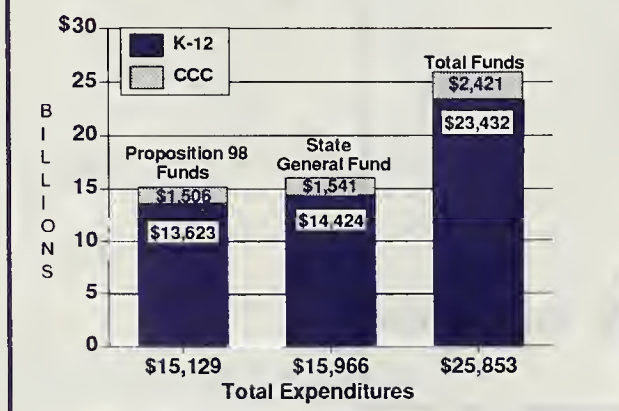
The new K-12 education funds provided by the 1989-90 Governor's Budget will:

- Continue funding the reform movement begun by SB 813 and add \$380 million for enrollment increases and \$532 million for cost-of-living adjustments.
- Provide \$140 million for a new class size reduction program and for incentive payments to school districts operating on a year-round school basis to encourage use of their existing facilities and to reduce the demand for new school construction.
- Provide an additional \$14.1 million for staff development activities, including funding to permit five percent of the state's teachers to receive mentor teacher stipends and support funding of \$2,000.
- Provide \$1 million to institute development of a consolidated assessment system.
- Provide \$35.2 million to reduce the STRS unfunded obligation (AB 8).
- Provide \$7.3 million for special education statutory population adjustments.

- Provide \$15 million for discretionary growth in special education.
- Provide \$12.9 million in discretionary cost-of-living adjustment funding for regional occupational centers and programs and school district child care programs.
- Provide \$2.8 million for instructional materials to account for projected changes in enrollment.
- Provide \$1.2 million (\$738,000 General Fund) to establish 15 additional Partnership Academies which provide "at-risk" students with academic and job-specific employment training.
- Provide \$5.9 million in additional adult education funding targeted for the Greater Avenues for Independence (GAIN) services, English-as-a-Second-Language (ESL) and basic education programs as priorities indicate.
- Provide \$5.1 million for discretionary growth in regional occupational centers and programs.
- Provide an additional \$4.2 million to County Offices of Education to complete juvenile court school equalization consistent with the Serrano v. Priest decision.
- Provide \$14.9 million for population increases and program expansion in court-ordered and voluntary desegregation programs.
- Provide \$16.7 million for a comprehensive statewide drug abuse prevention education program, to be combined with \$3.3 million of federal funds.
- Provide \$.68 million to reimburse local libraries for providing inter-library loan services.

Figure 4-4

Proposition 98 Expenditure Comparison 1989-90



Cost-of-Living Increases

The Governor's Budget proposes \$532 million in 1989-90 for cost-of-living adjustments (COLAs). From this amount, \$519.2 million will fund a statutory COLA of generally 3.21 percent for programs that receive statutory COLAs.

Class Size Reduction and Year Round School Incentives

The Governor's Budget proposes \$140 million as the initial step toward class size reduction in California's elementary and secondary classes. The Administration believes that a fundamental expectation of the voters in approving Proposition 98 was class size reduction. Class size reduction also has been one of the highest priorities of educational leaders in the state. Smaller class sizes allow teachers greater opportunity to spend time with individual students, assign and grade more homework and manage their classrooms more effectively. Studies also have shown that smaller classes can enable teachers to adopt new instructional practices which can benefit student performance.

Even so, the Administration believes that educators and policy makers should avoid focusing only on expensive, mandated smaller classes and consider currently available options for less costly means to class size reduction, including the use of year-round schools, aides, volunteers, staggered schedules, team-teaching, cross-age or peer tutoring, judicious application of educational technology and instructional groupings.

Within the \$140 million, \$75 million is proposed to reduce class sizes for certain high school courses. This would be the first year of a six-year effort to reduce the size of classes in these subjects to no more than 20 students per class.

An additional \$35 million is proposed to provide incentives to districts to reduce the size of reading, writing and spelling classes in grades 1 through 3.

Finally, \$30 million is proposed for year-round school incentives which districts may use to reconfigure classrooms and reduce class size.

Drug Abuse Prevention Education

The Governor's Budget for 1989-90 includes \$16.7 million General Fund made available under the provisions

of Proposition 98, together with \$3.3 million of federal funds, to implement statewide successful drug abuse prevention education pilot projects as part of the Suppression of Drug Abuse in Schools Program. The program is administered by the Office of Criminal Justice Planning. (For further details see the discussion under the Office of Criminal Justice Planning in the Public Safety Section of this Summary.)

Student Assessment

The California Assessment Program (CAP) annually tests a sample of California students in grades three, six, eight and twelve in selected subject areas. Because student CAP scores are recognized by the public as a measure of school success, they provide an incentive for schools to offer quality learning and make schools more accountable to the community. As one measure of the effectiveness of the education reforms implemented during this Administration, CAP test results demonstrate continued improvement in student achievement. Proposed funding of \$8.8 million for 1989-90 will maintain the current level of testing and fund the final year of development for grade 10 tests and grade 6 direct writing assessments.

The California Commission on Education Quality recommended a more comprehensive CAP system that would monitor the progress of individual students and improve school accountability for test results. The system also would realize fiscal savings by reducing the number of tests that are administered and the amount of classroom time devoted to testing. The Governor's Budget proposes funding of \$1 million to develop a consolidated assessment system.

School District Fiscal Accountability

Since the passage of Proposition 13 in 1978, primary funding of local education agencies has shifted from local sources to state sources. Currently, about 70 percent of funding for education is provided by the

"As one measure of the effectiveness of the education reforms implemented during this Administration, CAP test results demonstrate continued improvement in student achievement."

State. Although Proposition 13 did not remove local control responsibilities, the resulting reduction of taxing authority, the increased financial support provided to local education agencies by the state and an awareness of the financial management problems addressed by the Governor's Commission on Educational Quality indicates increased review and training efforts by the state are necessary. Additional review and assistance will ensure that local education agencies have the fiscal management knowledge and skills to prudently manage the educational program.

Steps taken to improve the fiscal management of our schools include legislation signed by the Governor, in 1988 that assigns the Department of Education a greater role in the review of local education agency budgets and requires standards for sound fiscal management and planning to be developed. The Governor's Budget augments funding provided by this legislation by adding ten new positions in the Department of Education to increase the review of local education agencies' fiscal practices, identify problems and assist in resolving the problems before the agency is in serious fiscal difficulty. In addition, the 1989-90 Budget continues funding provided in the current year for the School Business Personnel Staff Development Training Program.

School Improvement Program. The School Improvement Program (SIP) is a key element of the K-12 education reform effort designed to involve parents, teachers and the community to improve all students' learning of the core curriculum. State funding enables districts and schools to develop school improvement plans and provides additional support to implement those plans. Participating schools undergo independent program quality reviews every three years to ensure the continued effectiveness of school improvement efforts.

Approximately 85 percent of the schools in grades K-6 and 40 percent of the schools in grades 7-12 participate in the School Improve-

ment Program. Proposed funding of \$258 million in 1989-90 represents an increase of \$95 million over the 1982-83 funding level.

Instructional Materials. Good books and instructional materials are an important element of a quality education. The Governor's Budget provides full funding for enrollment increases required by statute and continues a \$10 million augmentation over the statutory level provided in the current year. During the term of this Administration, state funding for instructional materials has nearly tripled from \$41 million to the \$118.9 million proposed for 1989-90.

Partnership Academies. The Partnership Academies Program provides academic classes, vocational training and work experience to high school students at risk of leaving school. An integral part of this program is the public-private partnership. Local businesses are equal partners and provide matching funds and on-the-job training for academy students. Independent evaluations have demonstrated that students enrolled in the academies have improved in their academic performance and have lower drop-out rates. The Governor's Budget proposes to increase the number of academies from 18 to 33 in 1989-90.

Special Education

Under state and federal laws, the principal goal of special education is to provide a free, specialized public education that meets the needs of disabled students as adequately as the needs of regular students are met.

In 1985-86 the Governor initiated a three-year, \$180 million plan to address the most pressing needs of special education students, to provide program improvements and to implement desired reforms. The Administration has provided funds for: expansion of the special education infant program; increased number of instructional aides; specialized services and equipment for students with low incidence disabilities; incentive funds for county offices of education to adopt a longer school

day and year; and overall program growth.

The Governor's Budget continues to address the needs of disabled students by providing \$15 million from the General Fund for instructional program growth and \$7.3 million for statutory population adjustments. Since taking office, the Governor has increased total special education expenditures by 68 percent, with General Fund special education expenditures increasing by more than 91 percent (see Table 4-3).

Immigration Reform and Control Act (IRCA)

Approximately 1.3 million undocumented aliens have applied for temporary legalization status in California under the terms of Public Law 99-603, the Immigration Reform and Control Act of 1986. Federal funds (known as State Legalization Impact Assistance Grant—SLIAG) are provided to assist states and local governments with costs they may incur in providing public health, public assistance or educational services to newly legalized persons. The State Department of Education, in accordance with federal laws and regulations, is responsible for distributing SLIAG funds to local school districts, community colleges and community-based organizations to provide necessary educational services, primarily English-as-a Second-Language (ESL) and civics instruction.

Of the total applicants, approximately 945,000 have been in the United States since prior to January 1, 1982 and 371,000 are seasonal agricultural workers (SAWs) who have been in the country prior to May 1, 1986. These newly legalized persons will have the opportunity to convert to permanent, legal residency 18 to 30 months after having been granted temporary legalization.

At the time of the interview for permanent residency, individuals who have been in the U.S. since 1982 must demonstrate to the Immigration and Naturalization Service that they meet naturalization standards

with respect to having achieved a minimal understanding of basic English and the history and government of the United States, or that they are making satisfactory progress in an approved course of instruction. Individuals who have qualified as seasonal agricultural workers are exempt from these educational requirements. The Administration believes that all newly legalized persons should have access to the educational services provided under the IRCA program. Funding proposed by the Administration will be sufficient to provide educational services to both groups, those who need instruction to qualify for permanent residency and those whose attendance is elective, but education funding is targeted to give first priority to those persons needing services to convert to permanent residency status.

The Governor's Budget proposes to allocate \$181.4 million for educational services from SLIAG funds in 1989-90, an increase of \$71.4 million over the amount previously identified in the original five year plan. In addition, five new positions have been authorized to ensure timely distribution of funds to local education agencies and for program oversight. (For additional detail, see California's Implementation of the Immigration Reform and Control Act

in the Health and Welfare Section of this Summary.)

School Construction

Historically, local school districts had the primary responsibility for financing their own school construction. Financial resources were derived primarily from the sale of local general obligation bonds or by borrowing from the state. State participation was limited to providing loans from the proceeds of State School Building Aid bond sales, which districts repaid by levying additional property taxes to make the necessary loan repayments. In either case, district voters had to approve the borrowing by two-thirds vote.

With the passage of Proposition 13 in 1978, the ability of school districts to raise their own revenue was severely curtailed. As a result, the State has assumed an increasing responsibility for school construction needs.

The primary program for construction and reconstruction of schools is the State School Building Lease-Purchase program. Under this program, the State Allocation Board provides state grant funds for local school capital outlay in accordance with a relative prioritization system which is based on the school districts' need to house current and projected pupils.

*“ . . . \$1.6 billion
in general
obligation bonds
will be used for
school
construction and
renovation.”*

TABLE 4-3
SPECIAL EDUCATION FUNDING
(Dollars in Millions)

	<i>Expenditures*</i>	<i>General Fund</i>	<i>Number of Pupils</i>
1982-83.....	\$1,143.4	\$632.9	361,000
1983-84.....	1,257.2	728.7	361,000
1984-85.....	1,339.5	775.4	366,000
1985-86.....	1,481.9	878.7	375,000
1986-87.....	1,640.3	1,004.8	378,000
1987-88.....	1,739.8	1,063.5	380,000
1988-89.....	1,803.7	1,097.5	412,000
1989-90.....	1,926.5	1,208.0	432,000
Percentage Change 1982-83 to 1989-90.....	68 %	91 %	20%

* Includes General Fund, local revenues, and federal funds.

The primary source of funding for this program is revenue from the sale of state general obligation bonds (\$3.35 billion since 1982).

During the 1970s school districts statewide experienced a decline in enrollment, causing a general underutilization of existing school facilities. This trend has completely reversed in the 1980s. Enrollment is now increasing at an annual rate of almost three percent statewide, and exceeding four percent in many districts. Until 1986, funds to meet the need for new schools to accommodate this increasing enrollment were not available.

To counter the effects of continued growth and an estimated \$4 billion, five-year need for K–12 school construction, the Administration supported a comprehensive five-bill package which was enacted in 1986 to improve local funding mechanisms and provide additional state resources to meet this need. The ability for school districts to assess fees on new residential and commercial construction was a major mechanism to enhance districts' ability to increase local revenue. It was anticipated that a district's share generated from this mechanism could account for as much as 25 percent of the cost of new facilities.

In addition, as noted in the previous discussion regarding class size reduction, school districts operating on a year-round school (YRS) basis are eligible to receive incentive payments under two state programs. These payments are intended to encourage the use of existing facilities and to reduce the demand for funding to construct new facilities.

Until recently, Tidelands Oil revenues provided the major source for YRS incentive payment financing. However, because of an ongoing decline in oil and gas prices, Tidelands Oil revenues are not sufficient to fund YRS incentive payments in 1989–90. To fulfill the Administration's commitment to statewide YRS programs, the 1989–90 Governor's Budget is proposing \$30 million

from the General Fund for this purpose.

To further address new school construction needs, the voters authorized the enactment of the Administration-sponsored State School Building Lease-Purchase Bond Act of 1986 (Chapter 423, Statutes of 1986). This act authorized the sale of \$800 million of general obligation bonds for construction, renovation and rehabilitation of K–12 school facilities. The Administration's five-year proposal also includes two additional \$800 million school facilities bond measures which were approved by the voters in June and November 1988. The proceeds from the \$1.6 billion in general obligation bonds will be used for school construction and renovation, as well as abatement of asbestos in school facilities, and the purchase of portable classrooms during 1989.

Proposition 85

Proposition 85, approved by California voters in the November 1988 general election, enacts the California Library Construction and Renovation Bond Act. The Act authorizes the sale of \$75 million in general obligation bonds to provide grant funds to any city, county or library district for the new construction or remodeling of public library facilities. Under the California Library Construction and Renovation Program established by the Act, grants will be awarded on a 65 percent state and 35 percent local matching basis.

As required by the Act, the Library Construction and Renovation Program will be implemented and administered by the California State Library. The State Library will be responsible for processing project applications received from local public library jurisdictions, monitoring construction progress and making appropriate payments. To provide the necessary resources, the Administration proposes \$49,000 and 1 personnel year in the current year, and \$156,000 and 2.8 additional personnel years in the 1989–90 Governor's Budget.

In recognition of the developmental work that will be required on the part of the State Librarian to implement the State Library's first major bond program, the budget does not, at this time, anticipate any grant expenditures in 1989–90. However, should developmental work proceed at a faster rate than anticipated, grants will be awarded and expenditures incurred in 1989–90.

State Contributions to the State Teachers' Retirement System

The State Teachers' Retirement System (STRS) according to the actuarial valuation completed in July 1987, has an unfunded obligation of \$10.2 billion. Chapter 282, Statutes of 1978, requires that an appropriation be made to STRS for the purpose of reducing the unfunded obligation. The 1989–90 Budget proposes to fully fund the state's contributions with an appropriation of \$449.2 million.

Purchasing Power Protection

Since 1973, retired teachers have received an annual two percent increase in their benefits to compensate for inflation. However, the inflationary economy of the recent past has caused a severe reduction in the retirees ability to purchase goods and services with their fixed incomes.

Prior administrations provided no additional state funds to alleviate the difficulties faced by the retired teachers. This Administration has recognized the need to provide assistance by budgeting \$20.5 million in 1983–84, \$40.4 million in 1984–85, \$72.2 million in 1985–86, \$110.7 million in 1986–87, \$124.2 million in 1987–88 and \$132.6 million in 1988–89 for this purpose.

This Administration continues to make this a high priority by proposing that Purchasing Power Protection be a permanent defined benefit paid from the Teachers' Retirement Fund. This will provide retired teachers with a guarantee that their purchasing power will be maintained at a specific level. The Administration will propose legislation to allow the

Teachers' Retirement Board to increase employer contributions by up to one-half percent per year to provide this benefit, to fund the employers increased cost through a revenue limit "add-on", and to make this a permanent defined benefit. Community colleges would receive a specific appropriation for this purpose.

Lottery

Proposition 37, approved by California voters in November, 1984, authorized the establishment of a statewide lottery. The lottery initiative requires that 50 percent of the proceeds from lottery ticket sales be paid out as lottery prizes and that no more than 16 percent of the proceeds be used for administrative costs. The remainder of the proceeds (at least 34 percent of the total) are to be placed in a special fund, known as the California State Lottery Education Fund, to be used for the benefit of public education. Chapter 1061, Statutes of 1987, expanded eligibility for lottery funding

to the state special schools and Chapter 425, Statutes of 1988, authorized the Department of Developmental Services to receive lottery funds for its K-12 education programs.

Lottery funding and the statutorily automatic allocations to the local education agencies are provided separately from the state budget process. Although funding levels provided to education are displayed in the budget, at no time are lottery funds taken into consideration during the budget development or decision-making process.

The total amount available in each fiscal year depends on lottery ticket sales and the proceeds are allocated based on prior year certified average daily attendance or full-time equivalent students for eligible agencies. The Lottery Act specifies that lottery funds must be used to augment, rather than replace, funds already allocated for public education and they must be spent for instructional purposes. Educational

"Although funding levels provided to education are displayed in the budget, at no time are lottery funds taken into consideration during the budget development or decision-making process."

Table 4-4

Lottery Revenues (In millions)

	1987-88	1988-89	1989-90 *
K-12 education	\$650.85	\$763.14	\$762.57
California Community Colleges.....	96.84	113.72	113.64
The California State University.....	35.91	42.04	42.00
University of California.....	20.15	23.73	23.71
Hastings College of the Law21	.22	.22
California Maritime Academy05	.06	.06
Department of the Youth Authority.....	.75	.95	.95
Department of Developmental Services.....	—	.34	1.05
State Special Schools.....	.04	.14	.14
Total.....	\$804.8	\$944.34	\$944.34

* The Lottery Commission does not make projections beyond the current year, therefore, estimates are held constant for 1989-90.

agencies have considerable discretion in expending their lottery funds within the broad definitions of appropriate instructional purposes defined in the Lottery Act.

In its first three years of existence, the lottery has generated sales of \$5.3 billion, paid prizes totaling \$2.6 billion and contributed over \$2 billion to education. Based on projec-

tions by the State Lottery Commission, the Lottery is expected to provide over \$900 million in 1988–89 and 1989–90 to education. (See Table 4-4.) This approximates \$163 per student.

California's public and private higher education institutions are a keystone of our social and economic vitality. Our colleges and universities are world-renowned centers for innovation and discovery in science, medicine, technology, agriculture, economics, public policy and our national defense. The productivity of our private enterprise economy depends on an educated and literate citizenry.

California has done more than any other state to make higher education accessible to its citizenry. These achievements developed from the 1960 master plan for higher education, which drew the blueprint for California's three public segments of higher education: the California Community Colleges, which are open to all students able to benefit from instruction; the California State University, a multipurpose institution with an emphasis on teaching; and the University of California, a research institution. This system, combined with student fees that are among the lowest in the nation, have led Californians to attain one of the highest rates of college attendance among the states.

Our nearly 300 public and private colleges and universities educate over 1.7 million students each year, or one out of every 12 California adults.

Over the past six years, this Administration has funded major initiatives to maintain the quality and accessibility of our colleges and universities, and to enable these in-

stitutions to meet the major challenges now facing our higher education system and our state. New facilities have been funded to accommodate burgeoning enrollments. Educational equity and affirmative action programs have addressed the needs related to the state's growing demographic diversity to ensure educational opportunities for all our citizens. Resources for instruction and research have been provided to guarantee the continued attraction of talented students and faculty. New programs focused on the Pacific Rim will help keep California in the vanguard of commerce and economic development.

From 1982-83 to 1989-90, funding for all three systems of public higher education will have increased by more than \$3 billion. Student aid funding will have increased by more than 62 percent, and the number of students receiving grants from the Student Aid Commission to attend public and private institutions will have risen by 21 percent to 77,854.

The Governor's Budget continues the Administration's effort to make higher education available to every student in the state by providing \$76 million for increasing enrollments, and \$480 million for the construction of new classrooms and other facilities.

In addition, the 1989-90 Budget, for the first time in 20 years, provides funds to plan for new campuses at the University of California and California State University. However, the budget does require some seri-

ous reductions to the University of California and California State University systems. A description of these reductions is found in the discussions for the University of California and California State University.

University of California

The University of California was founded in 1868 as a public, state-supported land grant institution. There currently are nine campuses throughout the state located in Berkeley, Davis, Irvine, Los Angeles, Riverside, San Diego, San Francisco, Santa Barbara, and Santa Cruz. All of the campuses offer undergraduate, graduate and professional education; one, San Francisco, is devoted exclusively to the health sciences. The University operates teaching hospitals and clinics on the Los Angeles and San Francisco campuses, and in Sacramento, San Diego, and Orange counties. Approximately 150 University institutes, centers, bureaus and research laboratories operate in all parts of the state. The University's Agricultural Field Stations, Cooperative Extension offices and the Natural Reserve System benefit people in all areas of California.

The University's fundamental missions are teaching, research and public service. Undergraduate instructional programs are available to all eligible California high school graduates who wish to attend the University. The California master plan for higher education designates the University of California as the primary state-supported aca-

demographic agency for research with exclusive jurisdiction in public higher education over instruction in law and graduate instruction in medicine, dentistry and veterinary medicine. Sole authority is also vested in the University to award doctoral degrees in all fields, except that joint doctoral degrees with the California State University may be awarded.

During the past six years this Administration has consistently worked to restore the University to a level that will ensure the continued excellence of its programs now and in the future. Between 1982–83 and 1989–90, the University's General Fund operating budget will have increased by approximately 82.5 percent to \$2.05 billion, permitting a phased rebuilding of the University's academic and fiscal health.

Another key element has been increased funding for facilities construction and renovation to recognize both a serious shortage of space and technological or functional obsolescence of existing space. During the six-year period of 1983–84 through 1988–89, state authorizations for the University's capital outlay program totaled \$795 million. In 1989–90, the proposed funding level of \$188 million will bring this total to \$983 million.

Additionally, budget increases have supported the substantial replacement of obsolete instructional equipment, greater student access to computers for instructional purposes, and improved maintenance and repair of buildings.

Proposition 98. Due to the budget pressures brought about by Proposition 98, most programs will receive no increases, and in fact, will need to increase operating efficiencies and absorb any inflation costs. The following major budget adjustments have been included to reduce General Fund expenditures and ease the State through this period of fiscal adjustment:

- A savings of \$1 million by increasing the application fee for admission.
- A \$12 million savings by increasing student fees to a 10 percent

increase, from \$1,476 (3 percent increase) per student proposed by UC Regents to \$1,577 (an additional 7 percent increase).

- A savings of \$7.3 million by increasing out-of-state tuition, from \$5,202 per student proposed by UC Regents to \$5,799 per student.
- A savings of \$68 million by amortizing the UC retirement contribution for the 1989–90 fiscal year.
- Did not fund \$3.5 million to maintain full funding of the estimated annual depreciation of state-funded instructional equipment.

Student Admissions. Under California's master plan for higher education, students in the upper one eighth (12.5 percent) of California's high school graduating classes are eligible for University admission as freshmen. Between Fall 1976 and Fall 1987, the percentage of high school graduating seniors eligible to attend and choosing to enroll in the University increased from 5.1 to 7.7 percent.

To ensure that these students are adequately prepared to succeed, the University has strengthened and formalized coursework requirements for admission. In 1979, the scholarship requirement was modified to include a special formula (the "eligibility index") showing acceptable combinations of grade point averages and test scores. Over the years, the subject requirements for admission have been increased. Currently, students must have completed four years of college preparatory English, three years of college preparatory mathematics, two years of a foreign language, and a total of seven other subjects. As a result of these changes, the past steady erosion of students' preparation, as measured by standardized test scores, has been halted and the need for some basic skills or remedial courses at the University is declining.

At the upper division level, the transfer requirements have remained fairly constant since 1979, except to adjust the secondary school requirements to be consistent with the requirements for entering freshmen.

In 1988, in an effort to address the potential difficulties caused by transfer requirements that varied considerably among the University's campuses, the University's academic senate approved a Transfer Core Curriculum. If completed prior to transfer, this will satisfy the general education requirements at any general campus of the University.

In 1986, the University changed its undergraduate admissions process to allow students to apply simultaneously to as many University campuses as they wish, providing applicants the opportunity to be considered simultaneously at more than one campus. This is especially important for students who apply to campuses and majors that are in highest demand.

Current plans for graduate enrollment growth emphasize training of future faculty in all disciplines, recognizing the shortage of faculty members that will soon face California's higher education institutions as well as colleges and universities across the nation. An unprecedented number of faculty retirements over the next couple of decades, added to projected future enrollment growth within higher education generally, will spur intense competition for faculty from what could be a numerically inadequate pool. The University of California estimates that it will need to hire over 10,000 faculty through the year 2005 and that the California State University will need to hire between 8,500 and 11,000 faculty during approximately the same period. The California Community Colleges and the state's private colleges and universities, similarly, will need to replenish faculty ranks. In addition, graduate enrollment growth is needed to develop and maintain an appropriate balance between graduate and undergraduate students, particularly on those University of California campuses that have been affected disproportionately by recent rapid growth at the undergraduate level.

Student Enrollment. There has been a steady increase in demand for admission to the University during the past several years among

undergraduate students eligible for admission, especially at the freshman level. Undergraduate enrollments will have increased by more than 20,000 full-time equivalent (FTE) students, or 25 percent from 1982–83 through 1989–90. During the same period, general campus graduate enrollments will have increased by more than 1,600 FTE students, primarily in disciplines of major significance to California's economic health. To support these increases, \$116 million will have been provided.

The University will have a student enrollment of 151,213 FTE students in 1989–90. This total comprises 139,191 FTE students at the general campuses and 12,022 FTE students in the Health Sciences. This reflects an increase over the 1988–89 budget level of 3,218 FTE general campus undergraduate students and 900 FTE general campus graduate students. The Governor's Budget includes \$22.3 million to support general campus enrollment increases of 4,118 students at the undergraduate and graduate levels.

Research. Faculty at the University of California engage in three major activities: instruction, research and public service. These activities are closely interwoven and mutually beneficial. Faculty research often stimulates changes in the curriculum, improvement of teaching material, the development of new courses, and even new disciplines in rapidly advancing fields such as genetics, microelectronics, and information and computer sciences. The research activities of University faculty benefit Californians in a multitude of ways, ranging from increases in industrial and agricultural productivity to advances in health care and improvements in the quality of life.

The Governor's Budget proposes to augment the University's research budget by \$43.9 million in 1989–90 from the Research Account of the Cigarette and Tobacco Products Surtax Fund created through the Tobacco Tax and Health Protection Act of 1988 (also known as Proposition 99 which passed by the elec-

torate in November 1988). As the designated primary academic agency for state-funded research, the University will administer these funds for tobacco-related disease research in a manner similar to its AIDS research program. Under this model, other academic institutions such as Stanford and USC; non-profit groups such as the heart, lung and cancer societies; and relevant agencies such as the Department of Health Services will be actively involved. They will fully participate in the peer review process for evaluating grant proposals and will also be eligible to apply for and receive grants.

(See the Health and Welfare Section of this Summary for other related information on the Tobacco Tax and Health Protection Act of 1988.)

Employee Compensation. Each year, a report of the California Post-secondary Education Commission shows the adjustment required for the University to achieve the average salary projected for eight salary comparison institutions that reflect competitive conditions the University faces in the academic marketplace. The comparison institutions are Harvard University, University of Illinois, Massachusetts Institute of Technology, University of Michigan, Stanford University, University of Virginia, Yale University and the State University of New York at Buffalo.

This Administration has provided funds to increase University faculty salaries by 7 percent in 1983–84, 12.8 percent in 1984–85, 8.8 percent in 1985–86, 5 percent in 1986–87, 5.7 percent in 1987–88, and 3 percent in 1988–89. In total, the Administration will have provided funds to increase faculty salaries by 57 percent since 1982–83. As a result, acceptance by first-offer candidates for faculty positions increased from 72 percent to 85 percent, with significant implications for the future excellence of the University.

For 1989–90, the Governor's Budget proposes \$21.6 million for a faculty salary increase of 4.7 percent effective January 1, 1990, which will

“Due to the budget pressures . . . most programs will receive no increases, and in fact, will need to increase operating efficiencies and absorb any inflation costs.”

Table 5-1

University of California Fees

	<i>Ed Fee</i>	<i>Reg Fee</i>	<i>Total</i>	<i>% Change</i>
1981-82 (a)	475	463	938	
1982-83 (b)	725	509	1,234	31.6%
1983-84.....	792	523	1,315	6.6%
1984-85.....	722	523	1,245	-5.3%
1985-86.....	722	523	1,245	0.0%
1986-87.....	722	523	1,245	0.0%
1987-88.....	804	570	1,374	9.1%
1988-89.....	840	594	1,434	4.4%
1989-90 (Proposed)	924	653	1,577	10.0%

(a) Includes one-time surcharge of \$25.
(b) Includes one-time surcharge of \$100.

maintain salaries at the average of the group of comparison institutions.

The 1989-90 Budget also includes \$14.1 million to provide UC nonfaculty employees with a salary increase of up to 4 percent on January 1, 1990, and an additional \$3.6 million for nonfaculty special salary and other adjustments, consistent with salary increases provided to other state employees.

Student Fees. SB 195 (Chapter 1523, 1985 Statutes) sets out in statute a long-term student fee policy and specific fee level calculation methodologies. The Regents of the University of California have adopted the statute's provisions as University policy governing the Educational Fee and the University Registration Fee. The underlying principle of the policy is to keep fees as low as possible with increases, if necessary, that are gradual, moderate and predictable. In 1985-86 and 1986-87, fees were maintained at the 1984-85 level. However, fees were increased by 9.1 percent in 1987-88 and by 4.4 percent in 1988-89, and are proposed to increase by 10 percent in 1989-90. Table 5-1 illustrates the Educational Fee, Registration Fee and total fee increases, by year, for the period 1982-83 through 1989-90.

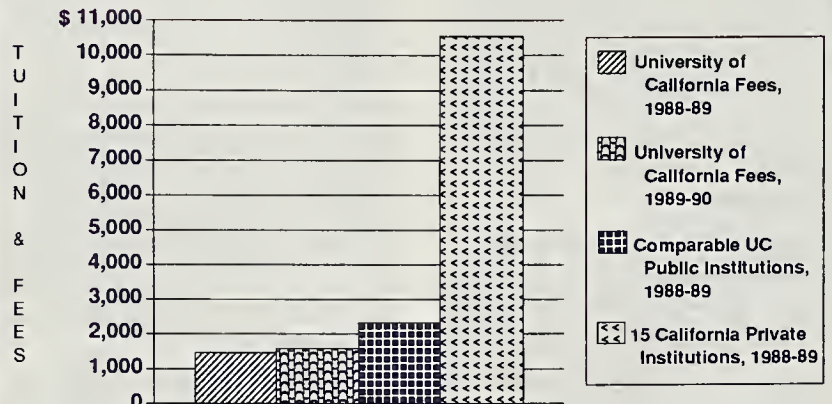
The student fee increase, which averages \$143 per student, will result

in a fee of \$1,577 per year (excluding miscellaneous campus fees). Even with the increase, University fees for resident students will remain low compared to those of similar institutions across the nation

(see Figure 5-1). To ensure that no student is denied access to the University as a result of the fee increase, \$3.6 million in new financial

Figure 5-1

**University of California
1988-89 and 1989-90 University Fees Compared to 1988-89
Fee & Tuition Levels at Comparable University Institutions
and Fifteen California Private Institutions**



aid will be provided to students who cannot afford to pay for the fee increase.

Student Affirmative Action. Between 1982–83 and 1988–89, the Regents and this Administration together have added \$5.5 million to the University's budget for programs designed to increase the representation of ethnic and racial minorities, and women where underrepresented, among the University's students and faculty. These programs have had demonstrable success in some areas. In one such program, the University's Early Outreach program, 34 percent of all 1987 participants were eligible for UC admission; the eligibility rate for Black participants was 30.2 percent and for Hispanics, 32 percent.

As reflected in Figure 5-2, from 1980 to 1987 the number of new freshmen from underrepresented groups entering the University more than doubled, from 1,686 to 3,859, an increase of 129 percent. This growth has resulted primarily from an increase in regularly admissible applicants, rather than from special action admits. Overall, among University undergraduates, the number of students from underrepresented groups doubled, from 8,144 in Fall 1976 to 16,178 in Fall

1987. That increase was greater than the overall increase in the total student body and raised the percentage of underrepresented students from 9.1 percent in 1976 to 14.1 percent in 1987.

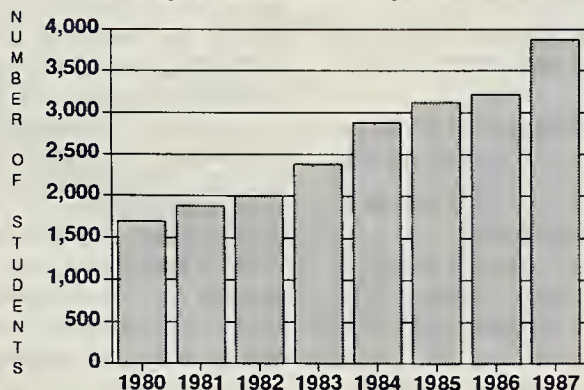
Other Budget Highlights. Despite Proposition 98, this Administration is committed to providing an appropriate base of support to maintain the quality of existing programs and to meet the demands of projected future enrollment growth.

For 1989–90, the Governor's Budget proposes state funding of \$2.12 billion for support of the University, including \$2.05 billion from the State General Fund, \$23.7 million from the California State Lottery Education Fund, and \$3.3 million from other state funds. This represents an increase of \$928 million (82.5 percent) from the 1982–83 level of General Fund support. The 1989–90 Budget represents an increase of \$78.8 million (4 percent) above the 1988–89 level of General Fund support.

Lottery Fund Expenditures. UC lottery revenues and expenditures for both 1988–89 and 1989–90 are estimated at \$23.7 million. In the current year, UC is using its \$23.7 million allocation of lottery funds to continue restoring the fiscal health

“ . . . the 1989–90 Budget, for the first time in twenty years, provides funds to plan for new campuses at the University of California and California State University.”

Figure 5-2
University of California
Enrollment Growth of
Underrepresented Minority Freshmen



of instructional programs by budgeting \$10.6 million for instructional computing operating costs, \$11.7 million for new instructional equipment and other instructional support, and \$1.4 million for reduction of the backlog of obsolete instructional equipment. Lottery funds enable the University to expand student access to computing and also help assure that new equipment for rapidly advancing and newly emerging fields of knowledge is available to support the instructional program.

Capital Outlay. The Governor's Budget for capital outlay represents an effort to ensure that University facilities support academic programs and provide the capacity for continued enrollment growth. Modern facilities are especially critical to the quality of instruction in biological sciences, physical sciences and engineering. These programs, in turn, provide the key to California's future.

The budget proposes a total of \$188 million for the University's capital outlay program financed from bond funds.

State funds will be used to provide construction for the renovation of the Life Sciences Building and expansion and renovation of the electrical distribution system at Berkeley; the Shields Library alterations and expansion and the remodel of the Food Science and Technology Building at Davis; the renovation of Physical Sciences Unit 1 and campus Road Improvements at Irvine; and, the retrofitting of the School of Engineering and Applied Science and expansion of the Electrical Distribution System at Los Angeles.

Additional construction projects include the addition to the Central Library and the Undergraduate Sciences Building renovation at San Diego; construction of the physical sciences building at Santa Barbara; and, construction of the Earth and Marine Sciences Building at Santa Cruz.

Planning and/or working drawing funds are included for 12 other University projects.

In addition, funds are proposed to equip nine facilities which will have been completed in 1989-90.

California State University

The California State University (CSU) has its roots in the state's first public institution of higher education, founded in 1857. Today, there are 19 campuses located throughout California. All campuses offer undergraduate, graduate and professional education. With nearly 363,000 students enrolled, CSU is the largest multipurpose, four-year higher education system in the nation.

CSU is widely recognized for the excellence of its instructional programs, which are its primary mission under California's master plan for higher education. The CSU offers bachelor's and master's degrees in over 240 subject areas, and numerous teaching and school service credentials. Doctoral degrees are offered jointly with the University of California and private institutions. In order to serve a diverse student body, many of whom are also employed, CSU offers programs in the late afternoon and evening, and at seven off-campus locations.

Proposition 98. Due to the budget pressures brought about by Proposition 98, most programs will receive no increases, and in fact, will need to increase operating efficiencies and absorb any inflation costs. The following major budget adjustments have been included to reduce General Fund expenditures and ease the state through this period of fiscal adjustment:

- \$1 million decrease in funding for instructional equipment replacement.
- \$1 million decrease in deferred maintenance and special repairs.
- \$2.3 million (5 percent) decrease in custodial services.
- \$2.1 million (5 percent) decrease in student social/cultural development and counseling/career guidance.
- \$0.9 million (5 percent) reduction in audio-visual services.

- \$2.1 million increase in the application fee (\$10 per application).
- \$4 million increase in out-of-state tuition, from \$4,950 per student proposed by CSU to \$5,670 per student.
- \$1 million decrease in faculty mode and level adjustments.
- No funding for increased rental space to accommodate increasing enrollments at off-campus centers.
- \$13.6 million increase (6.4 percent) in student fees—above the \$7.4 million (3.6 percent) increase called for under the normal fee formula.

Despite Proposition 98, this Administration has demonstrated a commitment to the CSU system and has provided a level of budgetary support to ensure that CSU's academic excellence continues into the future. During the term of this Administration, CSU's enrollment has increased 10.8 percent while the General Fund budget has increased 78.9 percent to \$1.981 billion.

Student Admissions. Under California's master plan for higher education, students in the upper one-third (33.3 percent) of California's high school graduating classes are eligible for CSU admission as freshmen. The percentage of graduating high school seniors who actually enroll in CSU is about 10 percent. CSU determines student eligibility based on grade point averages and test scores.

To ensure that students are adequately prepared for CSU coursework, the CSU adopted new entrance requirements, effective for Fall 1988, covering six subjects plus electives courses (See Table 5-2). Previously, CSU only required coursework in English and mathematics. CSU is phasing in the new requirements over the next four years. During this period, students missing only a few courses will still be able to enroll, on condition that they make up these courses quickly.

The new requirements will enable students to derive the maximum benefit from their CSU education,

and should increase the rate at which students stay enrolled and complete their degrees. CSU will continue to monitor the admission and performance of all first-time freshmen, with particular attention to the effect of the new requirements on students from underrepresented groups, in order to ensure that CSU continues to serve the upper third of high school graduates.

Many students enter CSU after attending a community college or other institution. Students who were initially eligible to attend CSU as freshmen but chose to enroll in a community college may transfer to CSU at any time. Students who were ineligible to enroll as freshmen may transfer to CSU after successfully completing two years of qualifying courses at a community college. An effective transfer function is a vital element of the master plan for higher education and is crucial to CSU. In recent years, more than half of CSU graduates transferred from a community college, and one-quarter entered directly from high school.

Enrollments. CSU's 1988-89 enrollment is estimated to be 6,722 full-time equivalent (FTE) students greater than originally budgeted. To meet this unanticipated increase, an additional \$3.8 million is provided.

For 1989-90, the Budget provides \$21.4 million and 594 new positions to accommodate an increase of 6,331 FTE students over the current budgeted level. With these new stu-

dents, CSU will have a total enrollment of 267,380 FTE students.

New Campus at San Marcos.

There has been a steady growth in demand for admission, and CSU's enrollment has tripled over the past 25 years. During this Administration, enrollments have grown by 10.8 percent, or nearly 26,000 FTE students—enough to completely fill a new campus. By the year 2005, enrollment is expected to increase by an additional 60,000 FTE students.

The 1989-90 Budget proposes \$521,000 and 14 new positions to initiate establishment of a new full-service campus at San Marcos in northern San Diego County. These resources will provide the initial cadre of executive leadership required for the planning and opening of the new state university. It will be the first time in over 20 years that the CSU has established a new campus. Currently the site of an off-campus center, San Marcos is located in one of the state's fastest growing regions. The new campus will increase educational opportunities and help satisfy the projected enrollment demand.

Formula Driven Adjustments.

To calculate the cost and personnel requirements associated with maintaining programs and services at the levels approved by the Governor and the Legislature, CSU employs a multitude of budget formulas. These budget formulas provide an estimate of the costs necessary to maintain programs and services according to approved workload

*“Despite
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excellence
continues into
the future.”*

Table 5-2

California State University

Completed High School Courses Required for Freshman Entrance

- 4 Years of English
- 3 Years of Mathematics
- 1 Year of U.S. History or U.S. History and Government
- 1 Year of Laboratory Science
- 2 Years of Foreign Language
- 1 Year of Visual and Performing Arts
- 3 Years of Approved Electives

standards. Programs and services such as affirmative action, faculty staffing levels, faculty sabbatical leaves, faculty positions, instructional support staff, equipment, computing support and building and grounds maintenance operate with approved workload standards and benefit from annual budget formula adjustments. The 1989-90 Budget provides \$11.1 million and 210 personnel years for these adjustments to maintain existing programs and services.

Employee Compensation. Each year, a report of the California Post-secondary Education Commission shows the adjustment required for CSU to achieve the average salary projected for 20 salary comparison institutions reflecting competitive

conditions that CSU faces in that academic marketplace (See Table 5-3).

This Administration has provided funds each year to increase CSU faculty salaries, usually to the average of the comparison institutions. Since 1982-83, the Administration will have provided funds to increase faculty salaries by a total of 61 percent. These increases have resulted in a significant improvement in the CSU's competitive position for new faculty. Combined with special salary rates for faculty in "hard-to-hire" disciplines, which were introduced under this Administration, the improved salary levels have enabled CSU to revitalize programs in engineering, computer science, and business, and strengthen programs in many other areas.

The Governor's Budget proposes a faculty salary increase of \$22.1 million, or 4.8 percent, beginning January 1, 1990. This funding will maintain salaries at the average of the comparison institutions, and will enable CSU to remain competitive in recruitment and retention of faculty. The Administration considers this to be a high budget priority because the quality of the faculty is the most important element in the quality of any university.

The 1989-90 Budget also includes \$12.4 million to provide CSU nonfaculty employees the same salary program provided to other state employees, which includes an average increase of up to four percent on January 1, 1990. Another \$3.1 million is included for nonfaculty special salary and other adjustments. In addition, \$12.8 million is provided to maintain employee health, dental and vision benefits.

Student Fees. A long-term state policy towards systemwide student fees was established by law in 1985. The underlying principle of the policy is to keep fees as low as possible with increases, if necessary, that are gradual, moderate and predictable. The fee may be increased above the formula-based level in the event of unforeseen fiscal conditions, but no more than 10 percent in one year. In addition, financial aid is provided to offset fee increases.

The Administration supports the policy of keeping student fees as low as possible. After a transition year in 1983-84, during which fees were raised while the state's fiscal situation stabilized, fees were lowered in 1984-85 and maintained at that level in 1985-86 and 1986-87. Fees were increased by 10 percent in 1987-88 and 8.6 percent in 1988-89, consistent with the fee policy.

In 1989-90, the state's fiscal situation is again in transition. The Governor's Budget proposes to raise student fees by the 10 percent maximum allowed, rather than the 3.6 percent under the formula, or by \$66 for a full-time student and \$42 for a part-time student. This is only the third fee increase since 1983-84, and will result in a fee of \$750 per

Table 5-3
CSU Comparison Institutions

Northeast

Bucknell University *
Rutgers the State University of New Jersey, Newark
State University of New York, Albany
Tufts University*
University of Bridgeport *

South

Georgia State University
North Carolina State University
University of Maryland, Baltimore County
Virginia Polytechnic Institute and State University

North Central

Cleveland State University
Loyola University, Chicago *
Mankato State University
Wayne State University
University of Wisconsin, Milwaukee

West

Arizona State University
Reed College*
University of Colorado, Denver
University of Nevada, Reno
University of Southern California *
University of Texas, Arlington

* Private University

year for a full-time student and \$438 per year for a part-time student. Even with the increase, fees for resident students will remain low compared to those of similar institutions across the nation and private institutions in California (See Figure 5-3). To ensure that no student is denied access to CSU as a result of the fee increase, \$3.3 million of new financial aid will be provided to students who cannot afford the fee increase.

Student Affirmative Action. The state's nonwhite college-age population is rapidly becoming a majority. These students will shape tomorrow, yet a distressingly small percentage choose a path which leads to college. If this trend continues, our state will lose its greatest resource: the talent, creativity and energy of the people who live here. This Administration has added \$18.4 million to establish and expand programs to bring underrepresented students into CSU.

The aggressive approaches have produced results. From Fall 1984 to 1987, first-time freshman enrollment of underrepresented students increased by 34 percent, while overall first-time freshman enrollment increased by 10 percent.

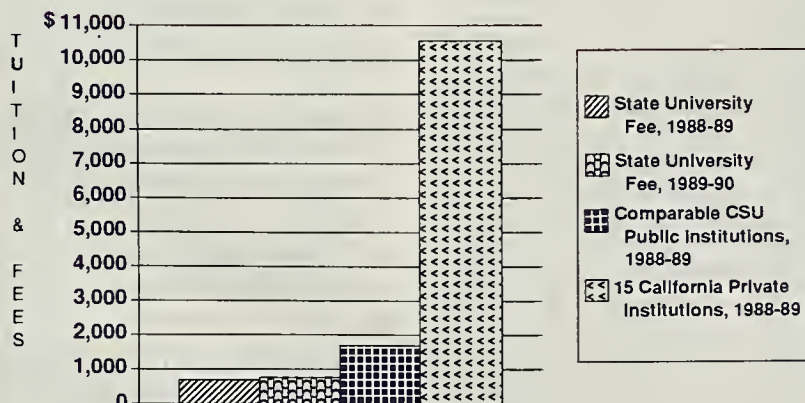
Following are programs in the budget which assist underrepresented students.

- Educational Opportunity Program (EOP)—The Educational Opportunity Program provides a broad range of access and academic assistance services to disadvantaged, low-income students. The 1989-90 Governor's Budget funds services for over 17,000 EOP students, and nearly 13,000 EOP financial aid grants. For 1989-90, the Governor's Budget provides \$449,000 to raise the average grant level to \$802, an increase of 4.6 percent.
- Summer Bridge Program—This program is designed to help

"From Fall 1984 to 1987, first-time freshman enrollment of underrepresented students increased by 34 percent, while overall first-time freshman enrollment increased by 10 percent."

Figure 5-3

**California State University
1988-89 and 1989-90 State University Fee Compared to 1988-89
Fee and Tuition Levels at Comparable Public Institutions
and Fifteen California Private Institutions**



newly admitted students, primarily those from underrepresented groups, make the transition from high school or community college to CSU. The program, which operates on all campuses and serves nearly 3,000 students, provides orientation, instruction, tutoring and on-campus living experience.

- **Minority Engineering Program**—This program provides support and retention services for underrepresented minority engineering students.
- **Graduate Equity**—This program provides fellowships to minority, disabled and women students to promote their completion of graduate studies.

Disabled Student Services Program. Significant progress has been made in recent years to provide disabled students with access to the educational opportunities offered by the CSU. Disabled Student Services offices on each of the 19 campuses provide readers, notetakers, interpreters, assessment of learning disabilities, priority registration, access to special parking and other accommodations needed to help disabled students achieve their academic goals. From 1982–83 to 1989–90, the number of disabled students receiving services has risen from about 4,000 to 6,700, or 65 percent.

The 1989–90 Budget provides an additional \$489,000 and 23 personnel years for learning disability assessment and tutoring, and for disability case management. This Administration has provided a total of \$1 million for new programs for disabled students.

Child Care. Nearly one-fifth of CSU students have children under 16 and finding suitable child care is a serious problem for most of them. The 1989–90 Governor's Budget proposes \$730,000 to expand child care services for children of student parents. This augmentation will facilitate access to higher education programs for student parents by increasing the number of children

served from approximately 1,800 to 2,160, a 20 percent increase.

Lottery Funds. Lottery expenditures for 1989–90 are expected to remain level at \$38.6 million. CSU allocates funds to a dozen different programs in the following priority areas, based on consultation involving the campuses, the Academic Senate and CSU students:

- instructional equipment;
- supplemental faculty, e.g., special lecturers and visiting professors;
- experimental instructional projects, such as master teacher stipends and scholarships, fine arts initiative, and engineering and computer science enrichments;
- special student programs, e.g., intern programs, exhibits, seminars, and performances; and
- programs to insure open access, such as educational equity services, doctoral incentive programs for women and minorities, and outreach services to underrepresented high school students.

In addition, CSU allocates multi-purpose discretionary funds to the campuses, some of which are for endowments designed to provide a lasting source of income.

Capital Outlay. The Governor's Budget proposes \$181.6 million in state funds for CSU's capital outlay program.

Bond funds will be used to fund a variety of construction projects including the O'Connell Technology Center at Chico; Engineering East and the University Farm Laboratory at Fresno; the Science Building addition at Fullerton; the Initial Infrastructure and Initial Facility at the Contra Costa off-campus center; the rehabilitation of Founders Hall at Humboldt; the Classroom/Laboratories/Administration Building at Pomona; four projects at the San Marcos campus including Infrastructure/Site Development, the Initial Facility, Academic Building I and the Physical Plant/Corporation Yard; the Remodel of and Addition to the Arts and Industry Building at

San Francisco and the Dairy Science I Instructional Center at San Luis Obispo.

In addition, the program includes 21 planning and/or working drawing projects that will renovate, expand or construct facilities plus equipment to complete nine newly constructed or renovated buildings.

Community Colleges

The California Community Colleges (CCC), the largest postsecondary education system in the nation, serve 1.2 million students with an annual budget of approximately \$2.4 billion.

California's community college system is comprised of 71 districts with 106 campuses statewide. The Community Colleges are open to all adults able to benefit from instruction. One of every 15 adult Californians is currently enrolled in a community college, and nearly half of all adult Californians have attended a community college at some time.

The Community Colleges provide an excellent and affordable opportunity for students seeking lower division degrees and certificates in the arts, sciences and occupational fields. Remedial and basic skills instruction are also important functions of the colleges.

The Community Colleges provide a broad array of educational services, including the following:

- Core education for transfer to four-year colleges
- Two-year degree programs
- Certificate programs for employment
- Allied programs with business, industry and government
- Remediation and basic skills education
- Continuing education and community education
- Community services

Through these services, the Community Colleges meet diverse and changing local needs and fulfill a vital function within the state's higher education system.

As Table 5-4 indicates, total funding for the California Community Colleges in 1989–90 is \$2.4 billion, an increase of \$949.9 million over the amount provided in 1982–83. This represents a 64.6 percent increase in seven years. As shown in Table 5-5, total proposed funding per unit of Average Daily Attendance (ADA) in 1989–90 is \$3,385, a 62.5 percent increase over 1982–83. In real terms, this represents an increase of 29.5 percent. Figure 5-4 shows the total amount of revenue from significant sources for community colleges from 1982–83 through 1989–90. Figure 5-5 shows the funding sources and their proportionate contribution to the colleges.

Proposition 98. The Governor's Budget for community colleges is consistent with the provisions of Proposition 98 by providing a guaranteed minimum level of funding in 1989–90 for elementary and secondary schools and community colleges. School districts and community colleges are guaranteed either the same percent of General Fund revenues they received in 1986–87, or the prior year funding level adjusted for enrollment and cost-of-living, whichever is the greater amount. (For additional detail, see Proposition 98 in the Elementary and Secondary Education Section of this Summary.

Community College Reform (AB 1725). The California Community Colleges are in a period of transition. In March, 1986, the Commission on the Review of the Master Plan for Higher Education issued its report on the Community Colleges and made numerous recommendations for reform. In the 1987–88 legislative session, a major Community College reform bill, AB 1725, was introduced to address many of the Commission's recommendations. The Governor signed the bill, Chapter 973, Statutes of 1988, which contains the following significant provisions:

- **Mission and Function**—Establishes that transfer education and vocational/technical education are primary missions, and that remedial education, English-as-a-

second language (ESL), student support services and noncredit adult education are essential and important functions.

- **Governance**—Declares the California Community Colleges to be a system with shared state and local responsibility for administration and expressly designates the Community Colleges as a post-secondary system of education. Strengthens the role of the Community College Board of Governors in overseeing the activities of community college districts.
- **Staffing**—Appropriates \$5 million to strengthen faculty and staff development programs and \$1 million for the recruitment of women and minority faculty members. Also provides that certain reforms will be triggered if sufficient levels of "Program Improvement Funds" are provided in future Community College budgets. These reforms include: the elimination of credentials and tougher minimum qualifications for professors; peer review of faculty; regular evaluations of temporary faculty; funding incentives to increase the use of full-time faculty; and extension of the probationary period for faculty members from two to four years.
- **Finance**—Extends the sunset date of the current funding formula and provides that a funding mechanism based upon need, rather than solely on attendance, would be "triggered" if sufficient levels of "Program Improvement Funds" are provided in future Community Colleges budgets.

The Governor's Budget proposes \$6.5 million for implementation of AB 1725. A five million dollar appropriation is provided for staff development programs, \$1.3 million for affirmative action programs and \$200,000 for instructional improvement programs.

To further support the goals set forth in AB 1725, the Governor's Budget proposes \$6.8 million for continued development and partial implementation of the statewide Management Information System. The Manage-

*"One of every
15 adult
Californians is
currently
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community
college, and
nearly half of
all adult
Californians
have attended a
community
college at some
time."*

ment Information System will report data on transfer rates to four-year institutions, the success of remedial education programs, completion rates in vocational education courses, and the effectiveness of matriculation, financial aid and other student services programs. When fully implemented, the Management Information System will collect data on students, student services, staff and college finance and facilities, and assist the Governor, the Legislature and the Chancellor's office in dealing with policy and fiscal issues

affecting community colleges. Furthermore, the MIS is an integral part of the accountability system required in AB 1725. As recognized in AB 1725, successful implementation of a comprehensive educational and fiscal accountability system is dependent upon an adequate data collection and reporting system.

Apportionments. The Governor's Budget proposes an augmentation of \$107.1 million for a 4.88 percent cost-of-living adjustment (COLA) and equalization. In addition, \$32.7 million has been provided

for Average Daily Attendance (ADA) growth within the statutory limitation (2.26 percent). Preliminary data suggest that ADA will increase in 1988-89 and 1989-90, continuing the rebound that began in 1986-87. For this reason, the 1989-90 Budget continues \$5 million for basic skills ADA over the growth cap. Total funding for 1989-90 apportionments represents an increase of \$807.5 million, or 56.9 percent over 1982-83. During this same period, expenditures per pupil will have increased by 56.7 percent. In

Table 5-4

Significant Revenue Sources For Community Colleges

(Dollars in Millions)

<i>Source of funds</i>	<i>1982-83</i>	<i>1983-84</i>	<i>1984-85</i>	<i>1985-86</i>	<i>1986-87</i>	<i>1987-88</i>	<i>1988-89¹</i>	<i>1989-90¹</i>
State General Fund.....	\$1,076.8	\$1,084.8	\$1,134.7	\$1,195.5	\$1,244.5	\$1,346.2	1,423.6	1,541.4
Lottery Funds.....	—	—	—	85.4	57.4	96.8	113.7	113.6
State School Fund.....	4.3	4.8	5.0	3.1	1.9	2.5	2.1	2.1
Student Fees ²	—	—	62.6	66.1	67.0	65.4	66.3	66.9
Local Property Taxes.....	390.1	399.3	432.2	497.6	544.9	604.8	652.1	697.1
TOTAL REVENUE.....	\$1,471.2	\$1,488.9	\$1,634.5	\$1,847.7	\$1,915.7	\$2,115.7	\$2,257.8	\$2,421.1

¹ Estimated

² Excludes fees paid with BOG grants which are included in the General Fund.

Table 5-5

Community Colleges Expenditures Per Student¹

	<i>Expenditures per Student (Dollars)</i>	<i>GNP Deflator (1988-89=100)</i>	<i>Real Expenditures per Student (In 1988-89 Dollars)</i>
1982-83.....	\$2,083	82.3	\$2,531
1983-84.....	2,242	85.3	2,628
1984-85.....	2,536	88.2	2,875
1985-86.....	2,910	90.6	3,212
1986-87.....	2,929	93.5	3,133
1987-88.....	3,103	96.3	3,222
1988-89.....	3,225 ²	100.0 ²	3,225 ²
1989-90.....	3,385²	103.3²	3,277²
Percentage Change 1982-83 to 1989-90 ...	62.5	25.5	29.5

¹ Includes General Fund, Lottery Funds, State School Fund, Student Fees and Local Property Taxes

² Estimated

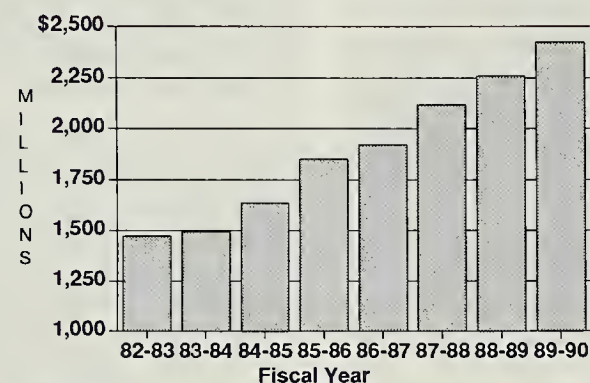
real terms, this represents an increase of 24.8 percent.

Local Revenue. Revised estimates for 1988–89 local property tax and fee revenues reflect an increase

of \$6 million over the amount initially budgeted. This increase, offset by a \$110,000 decrease in the State School Fund, covers increased enrollment needs of \$3.5 million in the

Figure 5-4

Significant Revenue for Community Colleges

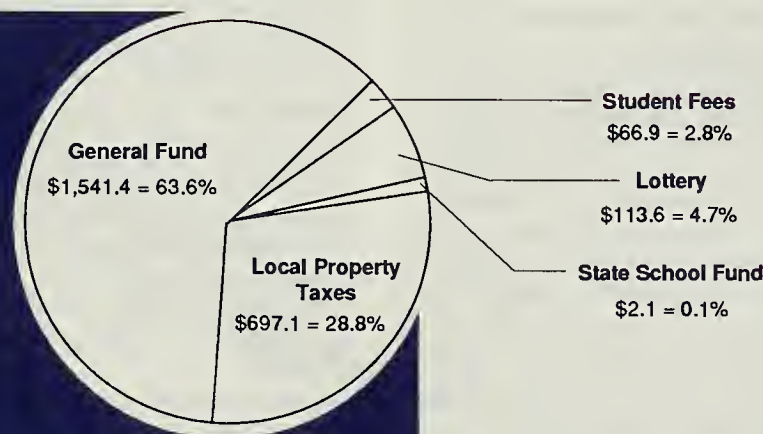


* Includes General Fund, Lottery Funds, State School Fund, Student Fees, and Local Property Taxes.

Figure 5 - 5

**1989-90 Revenue for Community Colleges
Where Money Comes From**

(Dollars in Millions)



*“ . . . the
Management
Information
System
will . . . assist
the Governor,
the Legislature
and the
Chancellor’s
Office in dealing
with . . . issues
affecting
community
colleges.”*

current year and reduces the need for state funds needed for enrollment entitlements by \$2.4 million. However, this will not result in General Fund savings because the 1988 Budget Act provides that this amount may be used to fund enrollment above districts' statutory growth limits. Local property tax and fee revenues in 1989-90 are projected to increase by \$45.7 million or 6.4 percent over 1988-89, and \$374 million, or 95.9 percent, over 1982-83.

Lottery Revenues. Lottery revenues for the Community Colleges are expected to be \$113.7 million in 1988-89 and \$113.6 million in 1989-90. This represents 12 percent of the total lottery proceeds and \$163 per ADA. The lottery proceeds for the Community Colleges are allocated to colleges based on each district's annual Average Daily Attendance (ADA). Quarterly disbursements are made directly from the State Controller's Office to county treasurers, with no further control of the funds by the State. These funds are available for use based solely on local discretion, with the exception that the funds must be used exclusively for the education of pupils and students. These funds cannot be used for the acquisition of real property, construction of facilities, financing of research or for any noninstructional purpose.

Deferred Maintenance. The Governor's Budget proposes \$15 million for deferred maintenance and special repairs. This program has a 50/50 matching requirement for the districts. The Administration places a high priority on the maintenance of buildings and has provided \$86.2 million for this program since 1982-83.

Instructional Equipment and Library Materials. From 1985-86 through 1988-89, the Administration has provided \$117 million from the General Fund, special funds and bond funds to assist districts in replacing obsolete instructional equipment and securing library materials. For 1989-90, the Governor's Budget proposes \$23 million bond funds, to

be matched by \$7.7 million in district funds, to continue this effort.

Toxic Substances and Asbestos Abatement. To reduce exposure to hazardous substances within the Community Colleges, the Governor's Budget proposes \$5 million for continued removal and containment of hazardous substances (primarily asbestos, PCBs, and underground tanks), and \$5 million from bond funds for abatement of severe asbestos problems. These funds will assist the Community Colleges in assessing the hazards of particular sites and treating the most hazardous problems. In addition, \$3 million is proposed to reimburse districts for their costs to develop hazardous material business plans required by legislation enacted in 1988. This legislation requires Community Colleges, as well as other state and federal agencies and businesses which handle hazardous materials, to establish and implement business plans for emergency response to a release of hazardous materials and to prepare emergency and hazardous chemical inventories.

Discretionary COLA. The budget proposes \$4.1 million for a 4.88 percent discretionary cost-of-living adjustment (COLA) for the following programs: Extended Opportunity Programs and Services, Disabled Students Programs and Services, Cooperative Agency Resources for Education, the Transfer Center Pilot Project and Matriculation. This increase will enable these labor-intensive student services programs to maintain their level of services in the coming year.

Middle College and "2+2+2" Articulated Programs. The Governor's Budget includes \$320,000 to continue funding for two Middle College sites. This represents a \$100,000 augmentation over the current-year start-up funding of \$220,000. Middle College is a joint K-12 and community college effort to promote the high school graduation and college enrollment of high-risk high school students. Furthermore, \$1.2 million is provided to continue a three-year pilot project to facilitate the progress of certain stu-

dents from one educational level to the next (two years each in high school, community colleges and a four-year institution). This represents a \$753,000 augmentation over current-year start-up funding of \$465,000.

Disabled Students Programs and Services (DSPS). The Governor's Budget includes a \$655,000 augmentation to provide for 2.26 percent ADA growth for the Disabled Students Program and Services. This is consistent with the growth rate provided in statute for regular apportionments.

Support for "High Tech" Centers. The Governor's Budget includes \$571,000 and 8 personnel years for the Chancellor's Office to continue its support activities for the High Tech Centers presently located in 51 community colleges. These centers are designed to provide students who have physical, learning and visual disabilities with instruction in the use of state-of-the-art computer access technologies. The state and local activities have been funded with federal funds channeled through the Department of Rehabilitation but this funding source may terminate in 1989-90. The \$571,000 augmentation is proposed to insure continuation of leadership and training functions provided by the Chancellor's Office. Local programs will continue to seek federal resources and can also use base and growth funds provided by the state for Disabled Students Programs and Services. On a statewide basis, the program's funding will total approximately \$31 million for 1989-90.

Capital Outlay. The Governor's Budget proposes \$111 million in state funds for 97 projects in the Community Colleges capital outlay program. The balance of funds for each project will be provided by the Community College districts. Community Colleges are expected to contribute a total of \$6 million during 1989-90.

Of the proposed projects, 80 involve preparation of working drawings and/or construction and 17 are to provide equipment to complete previously funded projects.

California Student Aid Commission

The Student Aid Commission (SAC) provides financial assistance to academically qualified, financially needy students pursuing postsecondary educational opportunities. In 1982–83 the Commission administered \$86.4 million in grant assistance to 64,123 students. Under this Administration, the total grant amount will have increased by 62 percent to serve a total of 77,854 students. In 1989–90 the cost of the total aid program will be \$140.3 million.

Cal Grant A. The Cal Grant A program is a scholarship program for financially needy, academically eligible students. The awards cover the students' fees and tuition. In 1988, the Governor signed legislation which provides \$1.6 million to increase the maximum Cal Grant A award level from \$4,577 to \$4,710. The Governor's Budget sustains this level of support for 1989–90.

The total number of students receiving Cal Grant A awards in 1989–90 will be 43,882, a 10.4 percent increase over 1982–83. Total state funding for Cal Grant A awards will have increased from approximately \$55.4 million to \$84.7 million, or 52.9 percent, over 1982–83.

Cal Grant B. The Cal Grant B program provides awards to low income and disadvantaged students to increase the access of such students to higher education. The awards cover tuition, fees and student living expenses. In 1988, the Governor signed legislation which provided \$2.4 million to fund 1,500 new Cal Grant B awards. The Governor's Budget sustains this level of support for 1989–90 and includes an additional \$2.2 million baseline adjustment to fund the increased grant level to which the 1,500 recipients added in 1988–89 will be entitled in their second year of eligibility.

The total number of students receiving Cal Grant B awards in 1989–90 will be 29,085, a 42 percent increase over 1982–83. Total state funding for Cal Grant B awards will have increased from approximately \$23.9

million to \$43.8 million, or 83.3 percent, over 1982–83.

Cal Grant C. The Cal Grant C program provides awards to students enrolled in occupational training programs of four months to two years in length. Eligibility for the awards is based on a student's financial need and the degree of worker shortage in the student's chosen occupation. Total state funding for 2,361 Cal Grant C awards will be \$3.1 million, a 40.7 percent increase over 1982–83.

Graduate Fellowship Program. The Graduate Fellowship program provides awards to financially needy graduate and professional students, with emphasis on fields with personnel shortages. Total state funding for 885 Graduate Fellowship awards in 1989–90 will be \$3 million, or 24.6 percent higher than the 1982–83 level.

Assumption Program of Loans for Education (APLE). Under the APLE program, 500 warrants are authorized each year to students in teacher training education programs. For 1989–90, \$1.3 million is budgeted to redeem warrants issued in previous years.

State Work Study Program. The State Work Study Program authorized in 1986 will help students finance their college education by placing them in employment related to their course of study or career interest. For 1989–90 the Governor's Budget continues for the third year \$750,000 for work study grants to 1,500 students on 15 campuses.

California Student Opportunity and Access Program (CAL-SOAP). The CAL-SOAP program provides intervention and outreach services to over 30,000 students who are at risk of dropping out of high school. Students who are traditionally underrepresented in postsecondary education, receive intensive counseling and academic services in order to revise their academic achievement and employment opportunities. In a report by the California Postsecondary Education Commission, it is noted that 66.2 percent of the high school stu-

“Under this Administration, the total grant amount will have increased by 62 percent to serve a total of 77,854 students.”

dents participating in CAL-SOAP went on to college and universities as compared to less than 58 percent of their statewide counterparts. Table 5-6 displays the college attendance rates of high school seniors participating in the program as compared to all high school graduates in California.

Due to the changing college admissions criteria, there is a need for students to participate and succeed in college preparatory courses at a younger age. Therefore, given the demonstrated success rate of this program, it was expanded in fiscal year 1988-89 to include a junior high outreach component. An increase of \$80,000 was provided to pilot the provision of counseling and academic support services for 1,200 seventh and eighth grade students.

The Governor's Budget includes a total of \$577,000 for CAL-SOAP which represents a continuation of the funding level in 1988-89.

Guaranteed Student Loan Program. The Student Aid Commission also administers the State Guaranteed Student Loan Program and serves as the state guarantee agency for federally reinsured student loans. This rapidly expanding program is expected to generate approximately \$985 million in new loans for 320,000 students during 1989-90, bringing the total outstanding loans of the program to \$7.6 billion as of June 30, 1990.

As a result of aggressive default prevention measures, the Commission estimates that the amount of loan defaults will decrease from more than \$206 million in 1985-86, to

approximately \$155 million in 1989-90.

Financial Aid Processing System. The Governor's Budget includes \$4.9 million (\$300,000 General Fund and \$4.6 million Guaranteed Loan Reserve Fund) to implement an automated Financial Aid Processing System. Fourteen new personnel years will be added to the SAC and 29 personnel years will be redirected from the grants programs to the loan program. This program will streamline processing of financial aid grants, provide for processing of guaranteed student loans by the Student Aid Commission rather than by the current private contractor, and result in cost savings of approximately \$1.4 million to the General Fund in 1990-91 and later years.

Table 5-6

College Attendance Rates for California Student Opportunity and Access Program Participants

	<i>Univ. of Calif.</i>	<i>Calif. State Univ.</i>	<i>Calif. Comm. Coll.</i>	<i>Indepen. Inst.</i>	<i>Total All Seg- ments</i>
CAL-SOAP	14.6%	14.8%	34.5%	2.3%	66.2%
State	7.9%	10.2%	36.3%	3.4%	57.8%

California provides a broad range of services to its citizens needing assistance and opportunities in order to improve the quality of their lives. Services are available in each program area with a major goal being the provision of necessary services in the least restrictive environment, thus avoiding premature or unnecessary institutionalization. Individual programs include alcohol and drug prevention, cash assistance grants, medical care, community mental health treatment and meals for the elderly.

For 1989-90, Health and Welfare expenditures total \$25.2 billion in combined State and federal funds and account for 39,634 personnel years. The allocation of these funds is shown in Figure 6-1.

Proposed General Fund expenditures include over \$654 million in recognition of caseload increases in a variety of program areas including AFDC, Medi-Cal, Mental Health, Child Welfare Services and Developmental Services. (Refer to Table 6-1 for caseload totals.)

The caseload increases which have been funded are either formula-driven or those in entitlement program areas. In entitlement programs if a person meets the eligibility criteria to receive the service, it must be provided pursuant to statutory requirements.

In order to provide the resources to fund these mandatory increases and the most essential workload adjustments, it was necessary to make difficult funding choices due

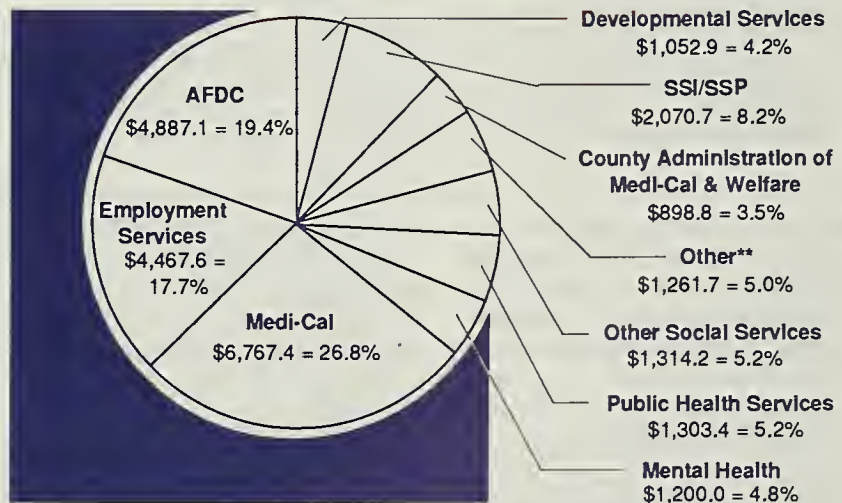
to the budget pressures brought about by Proposition 98.

In the area of General Fund state operations, most departments will receive minimal, if any, increases and will, therefore, need to increase operating efficiencies and absorb inflation costs.

In order to fund the most essential services within the resources available, it is necessary to reduce program levels in some areas, eliminate other programs and propose legislation so that no statutory cost-of-living adjustments will be granted in 1989-90. Other legislation will also be proposed to ac-

Figure 6 - 1

Health and Welfare Proposed 1989-90 Expenditures* All Funds (Dollars in Millions)



*Includes State Support and Local Assistance.

**Reflects allocations for the Health and Welfare Agency, Department of Aging, Department of Alcohol and Drug Programs, Health and Welfare Consolidated Data Center, Office of Statewide Health Planning and Development, Department of Rehabilitation, Emergency Medical Services Authority, Governor's Advisory Committee on Child Care, State Council and Area Boards on Developmental Disabilities, State support for the Department of Health Services, including Toxic Substances Control Division, the Department of Social Services, GAIN and the Medically Indigent Adult program. Also included are the costs associated with Health and Welfare mandates and bonds.

Table 6-1
Major Health and Welfare Program Caseloads

	<i>Average Caseload</i>		<i>Change</i>
	<i>1988-89</i>	<i>1989-90</i>	
1. California Children's Services (treatment of physical handicaps).....	98,990 ^a	104,070 ^a	5,080
2. Medi-Cal (provisions of medical services to eligible poor)			
a. Certified eligible.....	3,184,400	3,251,600	67,200
b. Average monthly users (fee-for-service only).....	1,434,590	1,501,760	67,170
3. AFDC (support for unemployed persons with minor children)	592,400	614,600	22,200
4. SSI/SSP (support for aged, blind and disabled).....	776,500	811,800	35,300
5. State Hospitals			
a. Mental health clients.....	4,834 ^b	4,851 ^b	17
b. Developmentally disabled clients.....	6,687 ^b	6,630 ^b	-57
6. Community Developmentally Disabled Services			
a. Regional centers.....	93,954 ^f	99,594 ^f	5,640
b. Work activity program	17,722	17,869	147
7. Vocational Rehabilitation.....	21,190	22,500	1,310
8. Employment Services (individuals placed) ...	285,000	290,000	5,000
9. Unemployment Services (total weeks claimed).....	18,951,900	19,448,800	496,900
10. Meals for Elderly Citizens	259,762 ^c	259,762 ^c	-
11. In-Home Supportive Services	134,600	144,100	9,500
12. Child Welfare Services	113,900 ^e	126,200 ^e	12,300
13. Food Stamps	573,983	590,825	16,842
14. Alcohol Programs	193,000 ^d	193,000 ^d	-
15. Drug Programs	124,000 ^d	124,000 ^d	-
16. Community Mental Health.....	131,600 ^g	135,800 ^g	4,200

^a This figure represents the unduplicated number of children in the CCS Program.

^b Represents the year-end population upon which the Budget is based.

^c Unduplicated participant count.

^d Number of participants served during the fiscal year.

^e Represents monthly Emergency Response, Family Maintenance, Family Reunification and Permanent Placement service area. Due to transfers between each service area a case may be reflected in more than one service area.

^f Represents the midyear average, including developmental center clients.

^g Represents an average monthly unduplicated caseload as reported in the client data system.

comply reductions where required. If the statutory changes needed to realize these savings are not forthcoming from the Legislature, then it will become necessary to reduce or eliminate a greater number of discretionary programs in the Health and Welfare area. For a complete listing of the alternative reductions, refer to the Policy Perspective, section of this Summary.

Program Reductions.

In order to balance available resources in the Health and Welfare area with other priority areas, the

following program reductions are proposed in the Budget:

- A reduction of \$2.9 million to the Family Physician Training Program (Song-Brown) in the Office of Statewide Health Planning and Development.
- A savings of \$18.9 million (\$9.5 million General Fund) in Medi-Cal due to the Administration's proposal to not grant statutory cost-of-living adjustments for Health and Welfare programs.
- In 1988-89 the final Medi-Cal checkwrite will be delayed until

the start of the 1989-90 fiscal year. At the time this reduction was planned, the Department of Health Services intended to resume the normal schedule of 48 checkwrites in 1989-90. However, due to current fiscal constraints, it will be necessary to delay the last checkwrite of 1989-90 until the beginning of the 1990-91 fiscal year for an estimated savings of \$80 million (\$40 million General Fund).

- A reduction of \$80 million (\$40 million General Fund) resulting from initiatives to reduce Medi-

Cal expenditures for outpatient prescription drugs. Expenditure trends indicate that drug expenditures are one of the fastest growing areas in the Medi-Cal budget, increasing from 5.5 percent of expenditures for benefits in 1978–79 to 8.3 percent in 1989–90. These initiatives are intended to reduce the rate of increase in the drug component of the Medi-Cal budget to 3.4 percent in 1989–90. Without these proposals, drug expenditures would increase by 18.6 percent above the 1988–89 revised levels. These initiatives include the purchase of drugs in volume to achieve discounts, the removal of certain drugs from the Medi-Cal Formulary, legislative proposals to modify the schedule for updating drug reimbursement rates and streamlining procedures for setting and updating maximum allowable ingredient costs.

- Savings of \$26 million (\$13 million General Fund) in the Medi-Cal program to reflect the termination of the Redwood Health Foundation contract, initiated as a pilot project in 1973, as a result of the determination by the federal government that the contract does not comply with federal competitive bid requirements. Savings are projected due to payment lags when beneficiaries currently enrolled in Redwood are converted to a fee-for-service payment basis, and from more effective controls in authorizing services and approving claims for payment.
- A reduction of \$258.7 million General Fund in the Medically Indigent Services Program.
- A reduction of \$36.2 million in General Fund and 25 personnel years to reflect the elimination of the Family Planning element within the Family Health Services Program.
- A reduction of \$4 million to the County Medical Services Program, \$1 million to the Primary Health Care Services element within the Rural and Community Health Program and \$100 million

in the Medically Indigent Services Program to capture savings to the General Fund in these programs for services funded by State Legalization Impact Assistance Grant (SLIAG) funding.

- A reduction of \$777,000 to the Preventive Health Services to the Aged component within the Preventive Medical Services Program.
- A reduction of \$400,000 to the Environmental Planning and Local Health Services element within the Environmental Health Program.
- A savings of \$20.6 million General Fund in the County Health Services Program to reflect the Administration's proposal to not grant statutory cost-of-living adjustments for Health and Welfare Programs.
- A reduction of \$6 million to implement a vocational rehabilitation program in the Department of Rehabilitation for developmentally disabled clients in Work Activity Programs. This proposal would utilize federal vocational rehabilitation funds in lieu of the General Fund.
- A General Fund savings of \$137.6 million in the Supplemental Security Income/State Supplementary Program (SSI/SSP) and \$104.8 million in the AFDC Program due to the Administration's proposal to not grant statutory cost-of-living adjustments for Health and Welfare Programs.
- A reduction of \$63.9 million in the In-Home Supportive Services (IHSS) Program from anticipated 1989–90 funding levels. This reduction will freeze the state's statutory share of cost of the program at an average of approximately 70 hours per case on a statewide basis. Additionally, the Governor's Budget assumes that counties that choose to provide IHSS services directly or through private contract shall manage available hours to ensure that the most critical services are continued. The proposed level of funding assumes the hourly rate of pay shall

“In order to fund the most essential services within the resources available, it is necessary to reduce program levels in some areas, eliminate other programs and propose legislation so that no statutory cost-of-living adjustments will be granted in 1989–90.”

be \$4.25 per hour plus employment taxes and insurance. Should a county choose to exceed these authorizations, they shall be responsible for any costs which exceed the level of funding provided in their allocation.

- A reduction of \$20 million General Fund is proposed for the Greater Avenues for Independence (GAIN) Program. This reduction will necessitate the targeting of services (as provided by statute) to AFDC recipients who have been on aid for a longer period of time.

Notwithstanding these reductions, there are a number of existing programs and, in some cases, new programs that offer a variety of necessary services to Californians. These are outlined in the following pages.

Proposition 99: The Tobacco Tax and Health Protection Act of 1988

In November 1988, the voters of California approved Proposition 99, the Tobacco Tax and Health Protection Act. The stated goals of the proposition are to: reduce smoking and other tobacco use among children; support medical research into tobacco-related cancer, heart and lung diseases; treat people suffering from tobacco-related diseases; and support treatment of patients who cannot afford to pay for services in recognition of the uncompensated costs of tobacco-related illness.

In order to achieve these goals, Proposition 99 imposes an additional tax upon cigarette distributors of one and one-fourth cents for each cigarette distributed (25 cents per pack). Further, it imposes a tax upon distributors of other tobacco products which is equivalent to the total tax imposed on cigarettes. The moneys raised by these taxes are deposited into the newly created Cigarette and Tobacco Products Surtax Fund, and are subsequently transferred to six separate accounts from which funds are appropriated for specific program activities. (Refer to Table 6-2)

Cigarette and Tobacco Products Surtax Fund. In enacting Proposition 99, the voters created a new fund to act as a repository for the increased cigarette tax revenue. This fund, the Cigarette and Tobacco Products Surtax Fund, is exempt from the limitations of Article XIII B of the Constitution (Proposition 4). Revenue estimates for the Surtax Fund for the period of January 1, 1989 to June 30, 1990, project a total of \$925 million in increased tobacco taxes.

Proposition 99 provides for the allocation of these tax proceeds, with the exception of payments of refunds and reimbursement of expenses incurred by the State Board of Equalization, as follows:

- 20 percent to be deposited in the Health Education Account.
- 35 percent to be deposited in the Hospital Services Account.
- 10 percent to be deposited in the Physician Services Account.
- 5 percent to be deposited in the Research Account.
- 5 percent to be deposited in the Public Resources Account.
- 25 percent to be deposited in the Unallocated Account.

In recognition of the Board of Equalization's expenses associated with administering and collecting the new tax, the 1989-90 Governor's Budget proposes the addition of \$554,000 and 14 personnel years to be funded by the Surtax Fund. These funds will be used to increase levels of surveillance and audit activity to assure that all taxes legally due are paid.

A reserve of approximately five percent has been established in each account.

Health Education Account. Funds appropriated from this account are to be used for the prevention and reduction of tobacco use, primarily among children, through school and community health education programs.

The 1989-90 Governor's Budget proposes the expenditure of \$175.6 million from the Health Education

Account for a health education program, to be administered by the Department of Health Services.

Hospital Services Account. Funds appropriated from this account are to be used for payment to licensed public and private hospitals for the treatment of hospital patients who cannot afford to pay for that treatment and for whom payment for hospital services will not be made through private coverage or by any program funded in whole or in part by the Federal Government.

The 1989-90 Governor's Budget proposes the following Hospital Services Account expenditures:

- \$200.8 million for the new California Health Care for Indigents Program (CHIP) to be administered by the Department of Health Services. An additional \$99.8 million is being proposed for the CHIP in the 1988-89 fiscal year through legislation. (Refer to the CHIP program description which appears later in this section.)
- \$6.7 million for the Department of Corrections for acute medical care for its steadily increasing inmate population. This amount includes:
 - \$3.2 million to provide additional-pharmacy and dietary staff, and salary and benefit increases, required for the operation of the psychiatric care units of the acute care hospital at the California Medical Facility-Vacaville by the Department of Mental Health,
 - \$3.3 million to provide contract acute care hospital services for the 6,710 additional prison inmates projected for 1989-90 and for cost increases for such private contract medical services, and
 - \$105,000 for respiratory care staff at the acute care hospital at Vacaville.
- \$132,000 for the Department of the Youth Authority to meet increased costs of private acute care hospital contracts.

Physician Services Account. Funds appropriated from this account are to be used for payment to physicians for services to patients

who cannot afford to pay for those services, and for whom payment for physician services will not be made through private coverage or by any program funded in whole or in part by the Federal Government.

The 1989–90 Governor's Budget proposes the following Physician Services Account expenditures:

- \$58.1 million for the Department of Health Services for the new California Health Care for Indigents Program (CHIP). An additional \$28.5 million is being proposed for the CHIP in the 1988–89 fiscal year through legislation. (Refer to the CHIP program description which appears later in this section.)
- \$1.2 million and 13 physicians for the Department of Corrections to provide examination, sick call and other services to the increasing inmate population.

Research Account. Funds appropriated from this account are to be used for tobacco-related disease research.

The 1989–90 Governor's Budget proposes an augmentation to the University of California of \$43.9 million from the Research Account. As the designated primary academic agency for state-funded research, the University will administer these funds for tobacco-related disease research in a manner similar to its AIDS research program. Under this model, other academic institutions such as Stanford and the University of Southern California; nonprofit groups such as the heart, lung, and cancer societies; and relevant agencies such as the Department of Health Services, will be actively involved. They will fully participate in the peer review process for evaluating grant proposals and will also be eligible to apply for and receive grants.

Public Resources Account. Funds appropriated from this account are to be allocated in equal

amounts for both of the following: programs to protect, restore, enhance, or maintain fish, waterfowl and wildlife habitat; and programs to enhance state and local park and recreation resources.

The 1989–90 Governor's Budget proposes the following Public Resources Account expenditures:

- \$1 million for the California Tahoe Conservancy for acquisition and improvement of environmentally sensitive lands. The purpose of this program is to restore stream environment zones, enhance degraded fish and wildlife habitat areas, permanently preserve watershed and open-space areas and provide additional recreational opportunities through increased public access to lakefront and upland areas.
- \$210,000 for the California Conservation Corps as partial funding to create a Tahoe Service Area with a fully functioning center located at the present satellite facility in the South Lake Tahoe area to restore and enhance fish and wildlife habitat.
- \$3.6 million for the Department of Boating and Waterways for the enhancement and conservation of recreational resources at state and local beaches through beach erosion control projects in Orange, Santa Cruz and Ventura Counties.
- \$1.1 million for the Department of Water Resources for the acquisition of riparian habitat along the Sacramento River. This acquisition consists of 433 acres and will result in reducing the wave wash to levees while promoting a habitat for a rich biotic community which includes a number of rare and endangered species.
- \$133,000 for the State Water Resources Control Board to match \$400,000 in federal funds to initiate a multi-year planning effort to improve water quality in the Santa Monica Bay.

“Revenue estimates for the (cigarette) Surtax Fund for the period of January 1, 1989 to June 30, 1990, project a total of \$925 million in increased tobacco taxes.”

Table 6-2
Cigarette and Tobacco Products Surtax Fund
Revenue Forecast/Proposed Expenditures
(Dollars in Thousands)

	1988-89	1989-90
Revenue Source:		
Cigarettes.....	\$250,000	\$595,000
Other Tobacco Products (OTP)	13,000	30,000
Cigarette Floor Tax.....	35,000	-
OTP Floor Tax	2,000	-
Total Revenue	\$300,000	\$625,000
Board of Equalization Administrative Costs	-	-554
Amount Available for Distribution	\$300,000	\$624,446
Allocations:		
<i>Health Education Account:</i>	-	\$184,889 ¹
Distribution:		
Department of Health Services.....	-	175,583
Account Reserve.....	-	9,306
<i>Hospital Services Account:</i>	105,000	\$218,556
Distribution:		
Department of Health Services.....	99,750	200,846
Department of Corrections.....	-	6,650
Department of the Youth Authority.....	-	132
Account Reserve.....	5,250	10,928
<i>Physician Services Account:</i>	\$30,000	\$62,445
Distribution:		
Department of Health Services.....	28,500	58,138
Department of Corrections.....	-	1,185
Account Reserve.....	1,500	3,122
<i>Research Account:</i>	-	\$46,222 ¹
Distribution:		
University of California	-	43,896
Account Reserve.....	-	2,326
<i>Public Resources Account:</i>	-	\$46,222 ¹
Distribution:		
California Tahoe Conservancy.....	-	1,000
California Conservation Corps.....	-	210
Department of Forestry.....	-	8,478
Department of Fish and Game	-	6,990
Wildlife Conservation Board.....	-	4,500
Department of Boating and Waterways	-	3,592
Department of Parks and Recreation	-	18,356
Department of Water Resources	-	1,100
State Water Resources Control Board	-	133
Account Reserve.....	-	1,863
<i>Unallocated Account:</i>	\$75,000	\$156,112
Distribution:		
Department of Drug and Alcohol Programs	-	5,000
Department of Health Services.....	71,250	80,029
Department of Mental Health	-	57,130
Department of Corrections.....	-	6,112
Department of the Youth Authority.....	-	35
Account Reserve.....	3,750	7,806
Totals Distributed	\$210,000	\$714,446

¹ No expenditures are proposed from this account in fiscal year 1988-89. Therefore, the combined revenue for the two fiscal years is reflected here as available for distribution.

California Department of Forestry and Fire Protection

- \$4 million for the planning and construction of seven major and 13 minor capital outlay projects. The projects will reduce the fire/life/safety risks to department personnel and correct the functional obsolescence of many department facilities. In addition, the projects will help the Department enhance its fire fighting mission which helps to reduce the destruction of wildlife habitat.
- \$1 million for the first year of a 2-year program to replace the UH-1F helicopter fleet with the newer UH-1H model to better protect wildlife habitat.
- \$922,000 and 2 personnel years to provide for maintenance cost increases and increased quality control inspections on maintenance contracts in the fixed wing air program, to better protect wildlife habitat.
- \$820,000 and 2 personnel years limited-term through June 30, 1990 to meet the most critical telecommunications needs, which supports accomplishment of the fire fighting mission, thereby protecting wildlife habitat.
- \$753,000 for forest soil erosion studies, research on pitch canker disease in pines and enforcement of timber harvest regulations under the California Environmental Quality Act and the Forest Practice Act, for protection, restoration and maintenance of fish and wildlife habitat.
- \$520,000 and 7 personnel years for workload increases related to timber harvest plans under the Forest Practice Act and the California Environmental Quality Act, for the protection, restoration and maintenance of wildlife habitat.
- \$300,000 for expansion of the fire prevention mass media program to better protect fish and wildlife habitat.
- \$143,000 for increased hourly operating costs for the UH-1F helicopter fleet, which protects wildlife habitat.

Department of Fish and Game

- \$3 million to implement the Waterfowl Habitat Preservation Program for restoring and protecting waterfowl habitat on private lands, and projects related to the North American Waterfowl Management Plan.
- \$2.8 million for the restoration and enhancement of wild trout and native steelhead habitats. Also, an additional \$3 million has been provided from the proceeds of Proposition 70, for a total funding level of \$5.8 million.
- \$775,000 for support of the Cooperative Salmon, Steelhead North Coast projects. These projects are all designed to improve anadromous populations.
- \$465,000 to provide 10 additional Warden positions for the Wildlife Protection Division of Region 5, located in the Long Beach area to ensure the protection of fish, waterfowl and wildlife habitat.

Wildlife Conservation Board

- \$3 million for the acquisition and preservation of critical deer habitat on the western slope of the Sierra Nevada. The acquisition is needed to help reverse the trend in rural communities which has converted 1.5 million acres of deer habitat to developed areas in the past 30 years.
- \$1.5 million for the acquisition and restoration of lands which include freshwater marsh, riparian forest and oak savannah. The lands are used for foraging, nesting and wintering habitat for over 200 species of game and non-game birds.

Department of Parks and Recreation

- \$6.5 million for one-time costs, including major telecommunications equipment purchases, park road repair and improvements and equipment for new park facilities.
- \$7.5 million for transfer to the Roberti-Z'berg-Harris Urban

“Included in the overall Proposition 99 allocation totals is \$199.5 million for 1988–89 and \$331.3 million for 1989–90 for a new Administration-sponsored initiative, the California Health Care for Indigents Program . . . ”

Open-Space and Recreation Program Account for local assistance grants.

- \$4.4 million for minor capital outlay projects in state park units and for beach erosion control projects at State beaches.

Unallocated Account. Funds appropriated from this account are to be used for any purpose provided for in any of the other accounts.

The 1989-90 Governor's Budget proposes the following Unallocated Account expenditures:

- \$5 million for the Department of Alcohol and Drug Programs to provide additional residential and nonresidential treatment services to substance abusing pregnant women, mothers and their infants. These services are part of a major multidisciplinary prevention and treatment pilot project to address the high incidence of drug or alcohol exposed/dependent infants. The pilot project will service four high incidence counties: Alameda, Los Angeles, Sacramento and San Diego.
- \$35,000 and two registered nurses for the Department of the Youth Authority to provide infirmary care for the increase in institution population of 258 wards.

Department of Health Services

- \$72.3 million for the new California Health Care for Indigents Program (CHIP). An additional \$71.3 million is being proposed for the CHIP in the 1988-89 fiscal year through legislation. (Refer to the CHIP program description which appears later in this section.)
- \$858,000 and 4 personnel years to complete the statewide implementation of the regional cancer registry program. This program, using a population-based cancer reporting and surveillance system, collects data which are used to determine statistically significant patterns or incidences of cancer and possible cause and effect relationships.
- \$246,000 and 5 personnel years for administration of the new Proposition 99 programs.

- \$6.6 million for increased case-load costs in the California Children's Services Program, the Genetically Handicapped Persons Program, the County Medical Services Program, and the County Health Services Program.

Department of Mental Health

- \$25 million to provide a noncategorical local assistance increase for local mental health treatment programs.
- \$6.3 million to increase the staffing level in the state hospitals by 173 personnel years. The additional staff will improve inpatient care by providing the necessary back-up staff to cover absences for sick leave, vacations, holidays and disability leave.
- \$6 million to fund 233 additional Institutions for Mental Disease beds and increased Department of Mental Health program administration costs.
- \$2.3 million to provide support for increasing population in the Mentally Disordered Offender program. Specifically, \$1.7 million would fund an increase of 67 patients in the state hospitals and \$628,000 would fund an increase of 30 patients in the outpatient Conditional Release Program.
- \$17.5 million as part of the overall renovation and improvement of the state mental hospitals. The estimated total cost of this endeavor is \$180 million with more than \$131 million having been committed to this effort since 1984-85.

Department of Corrections

- \$191,000 and four medical staff to treat the increased AIDS population at the California Institution for Women.
- \$947,000 and 15 psychiatrist, psychologist and support staff for the Department's parole outpatient clinics.
- \$696,000 to support additional acute psychiatric care for prison inmates at the Atascadero State Hospital.
- \$601,000 and 12 nurse practitioners to perform physical exam-

inations at the recently expanded Reception Centers.

- \$3.1 million and 83 personnel years to provide a range of outpatient psychiatric programs for prison inmates upon their release from the acute care facilities at the Vacaville and San Luis Obispo prisons.
- \$541,000 to support nursing and psychiatric staff at the new Corcoran Prison and nursing, laboratory and pharmacist staff for the new San Diego prison.

California Health Care for Indigents Program (CHIP)

Proposition 99 Funding for Uncompensated Care Initiative

Included in the overall Proposition 99 allocation totals is \$199.5 million for 1988-89 and \$331.3 million for 1989-90 for a new Administration-sponsored initiative, the California Health Care for Indigents Program (CHIP). The Hospital Services Account will provide \$99.8 million in 1988-89 and \$200.8 million in 1989-90, the Physician Services Account will provide \$28.5 million in 1988-89 and \$58.1 million in 1989-90. The Unallocated Account will provide \$71.3 million in 1988-89 and \$72.3 million in 1989-90.

The Department of Health Services will allocate CHIP funding for uncompensated care in the following manner:

- Revenues from the Hospital, Physician, and Unallocated Accounts will be combined into one funding pool.
- The Department of Health Services will utilize a standard poverty population formula to determine each county's relative proportion of indigent persons.
- The Department of Health Services will allocate funds from the combined fund pool to the 26 counties independently operating their own medically indigent services program on the basis of each one's individual proportion of indigent persons to the total number of indigent persons in the

state, as determined by the standard poverty population formula.

- Counties participating in the County Medical Services Program (CMSP) will not directly receive Proposition 99 uncompensated care funding. Instead their collective share of revenue equal to their collective proportion of indigent persons will be utilized by the Department of Health Services to fund the anticipated growth in CMSP.

The 26 counties operating their own indigent health care programs will be responsible for developing and operating their systems for reimbursing health providers within the county for uncompensated care. At a minimum, each county must pay private providers for emergency services as specified in Welfare and Institutions Code, Section 14007.5(d), as amended by Chapter 1441, Statutes of 1988 (SB 175).

Counties have sole discretion to establish the criteria for determining when patients are eligible for uncompensated care coverage, the coverage of services beyond the minimum scope of emergency services, levels of reimbursement, patient stabilization and transfer policies, authorization and claiming procedures, and any other policies and procedures they deem appropriate for the effective and efficient operation of the uncompensated care reimbursement system in their jurisdictions.

CMSP providers, regardless of their geographical location, will continue to follow CMSP policies, procedures and requirements in providing services to CMSP eligibles and submitting claims for CMSP reimbursement.

Department of Alcohol and Drug Programs

The inappropriate use of alcohol and drugs is estimated to cost Californians an estimated \$1.6 billion annually for treatment and support services, and \$3.3 billion for law enforcement, social welfare programs and losses in motor vehicle accidents. In addition, major costs

are associated with substance-related increases in mortality, reductions in productivity and lost employment opportunities.

To address the problems of substance abuse, the Department of Alcohol and Drug Programs, in partnership with county governments, administers a statewide program of alcohol and drug abuse prevention, intervention, detoxification, recovery and treatment services. In 1989–90, the total Department's budget will be \$178.5 million and 196 personnel years, with nearly \$162 million of this amount subvented to local governments. This represents an increase of \$25.8 million over the amounts made available in 1988–89 under the Alcohol, Drug Abuse and Mental Health Administration Block Grant and the Drug Free Schools and Communities Block Grant. The funds will be used to operate a variety of innovative substance abuse projects, including the following:

- Friday Night Live—An alcohol and drug prevention program for high school students, Friday Night Live is generally credited with producing significant reductions in teenage driving under the influence of alcohol and drugs.
- Women's Set Aside—Historically, alcohol treatment programs have been geared toward men, and for the most part, women's needs have gone unrecognized. The Women's Set Aside Program will ensure that a growing portion of treatment funding is available to meet these needs.
- Red Ribbon Week—This mass media campaign is a low-cost approach for increasing public awareness of the problems posed by drug and alcohol abuse. The Department estimates that more than eight million Californians will participate in or be impacted by the campaign.

Master Plan on Drug and Alcohol Abuse. In February 1988, the Governor initiated an expanded effort to address substance abuse issues by ordering the formation of the Governor's Policy Council on Drug and Alcohol Abuse. The Policy Council has

“In February 1988, the Governor initiated an expanded effort to address substance abuse issues by ordering the formation of the Governor's Policy Council on Drug and Alcohol Abuse.”

been charged with preparing an integrated plan for alcohol and drug abuse enforcement, treatment and prevention. In September 1988, the Governor signed legislation which requires the Department of Alcohol and Drug Programs to issue a Master Plan on Drug and Alcohol Abuse. The 1989-90 Governor's Budget proposes to add eight personnel years, including four in 1988-89, to implement the Master Plan. Many of the actions recommended in the Master Plan are expected to come from the findings of the Governor's Policy Council.

AIDS Prevention. One of the major objectives of the Department is to stem the spread of AIDS through intravenous drug use. In addition to \$5.75 million subvented annually to counties for prevention, outreach and treatment, the Department has allocated \$420,000 for an AIDS Minigrant Demonstration Program. The five counties of Monterey, Placer, San Bernardino, San Francisco and San Mateo have been selected through a competitive process to initiate innovative efforts to address the AIDS threat. In a complementary action, the 1989-90 Budget will provide an additional staff position to the Drug Medi-Cal Program to assist in certification of additional methadone treatment providers. The substitution of methadone for intravenous street drugs is yet another strategy for curbing the transmission of AIDS. The number of certified programs has increased by 75 percent since July 1, 1987.

Drinking Driver Programs. Perhaps the greatest cost resulting from substance abuse is the property damage and loss of life due to vehicle accidents caused by driving under the influence. To help mitigate this problem, the Department licenses multiple offender drinking driver programs. Typically, an individual convicted of driving under the influence is required to attend a drinking driver program in lieu of losing driving privileges and/or serving time in jail. During 1987-88, 20,829 persons completed licensed drinking driver programs.

Drug/Alcohol Exposed Infants and Children Initiative. While the impact of alcohol and drug abuse on teens and adults is addressed through many Department projects, the impact on pregnant women and fetuses has received less attention. However, the number of infants born with mental and physical deformities due to substance abuse has increased dramatically in recent years. In response to this situation, the 1989-90 Governor's Budget includes \$5 million for a Drug/Alcohol Exposed Infants and Children Initiative. The initiative is intended to combat substance abuse by pregnant women and to meet the treatment needs of drug and alcohol impaired infants. Efforts will focus on expanding the resources available to women seeking to break their dependence on drugs and alcohol. To this end, the Department will fund 184 new residential treatment beds—an increase of 122 percent over the number of beds currently available. Additionally, 92 new slots in day treatment facilities and recovery centers will be established. These resources will enable the Department to serve 700 additional clients in 1989-90.

Department of Developmental Services

The Department of Developmental Services is the principal state agency that assists and provides services to Californians with developmental disabilities. The Department administers seven developmental centers and contracts with 21 regional centers throughout the state to provide diagnosis, evaluation and provision or coordination of services. The services provided may include housing, education, transportation, job training, therapy and medical care. Developmental disability prevention and early intervention services are also available for high-risk infants and/or their parents. For 1989-90, the Governor's Budget proposes a funding level of \$1.1 billion and 10,942 personnel years for the Department.

Community Services. The provision of services to developmentally

disabled individuals in the community is handled through state contracts with 21 regional centers. Regional centers are private, nonprofit agencies that provide casefinding and case management, purchase services, conduct prevention activities and develop community programs. The 21 regional centers provide the first entry point into the state's developmental services system. Following diagnosis and eligibility determination, an individual program plan is created specifically for that client. The amount and level of service depends upon the individual's need. Clients may be placed either in the community or in a developmental center. The 1989-90 Budget includes \$535.3 million for the regional center to serve 92,888 developmentally disabled clients. Included in the budget is an increase of \$48.6 million (\$30.7 million General Fund) for a caseload increase of 5,640, a 6 percent increase.

Major legislation which impacted the provision of residential care to the developmentally disabled was passed in 1987-88. On June 22, 1988, the Governor signed SB 1513 (Chapter 85, Statutes of 1988) into law. This bill appropriated \$11.7 million for rate adjustments for residential care facilities serving developmentally disabled persons in 1987-88. In addition, this bill authorized expansion of an alternative residential rate model, thereby providing reasonable rates for providers and ensuring quality care for clients. This bill also provides for a phased-in expansion of the alternative rate model which addresses the inequities and structural problems of the existing system. It provides for a rate mechanism which is based on the type of service provided in conjunction with the client's needs. The revised system should ensure that clients receive services commensurate with their needs.

Developmental Centers Program. In 1989-90, seven developmental centers will serve an estimated 6,630 clients at a cost of \$517.6 million. The most severely disabled people are served in Cali-

fornia's developmental centers. Developmental services include care and supervision for all residents on a 24-hour basis, provided by professional staff, including therapists, psychiatric technicians, nurses and physicians. The developmental center program budget includes the following adjustments:

- \$3.7 million and 100 personnel years to assist the developmental centers in meeting the level-of-care staffing standards by increasing the coverage factor allowed for staff. Because developmental centers are operated 24 hours per day, additional staff are required to cover for sick leave, vacation and holidays.
- \$800,000 for recurring maintenance. In the past, critical maintenance projects have gone unfunded in favor of competing special repair projects. Deferral of such projects has resulted in increased costs in future years. These funds will assist the developmental centers in providing scheduled maintenance.
- An increase of \$7.8 million General Fund and a reduction of \$18.4 million in Medi-Cal reimbursements, for a net reduction of \$10.6 million and 274 personnel years to reflect the decline of 307 clients from the budgeted 1988-89 caseload for the developmental centers. The population adjustments reflect recent trends, the impact of the passage of recent legislation regarding residential care rates increases, and an increase in the number of community placements.

The Department of Developmental Services established a community placement plan in the 1984-85 fiscal year. Through this effort, which continues today, clients who do not require the intensive care offered by the developmental centers are given the opportunity to be placed in a home in the community. As a result, many people who have lived in developmental centers are now discovering the challenges and opportunities of community living. Revised placement goals for 1989-90 are 530

compared to the revised 1988-89 placement projection of 505.

Early Intervention Services (P.L. 99-457). In 1987-88, the Department of Developmental Services was designated the lead agency in California for participating in the Early Intervention Services Program established as a result of Public Law 99-457, Education of the Handicapped Act, Amendments of 1986. California will receive a total of \$13.6 million in federal grants to participate in the first two funding cycles. These funds are available for expenditure through September 30, 1990 and have been made available to develop comprehensive interagency service systems to serve handicapped infants (birth to 36 months) and their families. California will use these funds to improve existing service systems through concentrated planning and coordination on the state and local levels.

Department of Health Services

The Department of Health Services is responsible for a variety of programs which emphasize prevention-oriented health care, and delivery of medical services to the economically disadvantaged, protection of California's citizens from unsafe foods, drugs, drinking water and hazardous materials and enforcement of health standards in health facilities.

The 1989-90 Budget proposes \$9.2 billion for the Department (exclusive of the Toxics Substances Control Program which is budgeted at \$152.4 million). In 1982-83 the budget for the Department of Health Services totaled \$5.6 billion and 3,849 personnel years, of which \$13.1 million and 142 personnel years, were budgeted for the Toxics Substances Control Division. The proposed 1989-90 Budget represents a 64.3 percent increase over the 1982-83 level, exclusive of the toxics activities. (For further detail of changes in toxics-related activities, refer to the Environmental Quality Section of this Summary.) Refer

"The initiative is intended to combat substance abuse by pregnant women and to meet the treatment needs of drug and alcohol impaired infants."

to Figure 6-2 for a breakdown of Local Assistance expenditures.

California Health Care for Indigents Program. The Administration is proposing a major uncompensated care initiative beginning in 1988-89 with funding made available from the passage of Proposition 99, the Tobacco Tax and Health

Protection Act of 1988. (See the Proposition 99 write-up in this section for details.)

The Safe Drinking Water and Toxic Enforcement Act of 1986 (Proposition 65).

In November 1986, the voters passed Proposition 65. The Admin-

istration is implementing the Safe Drinking Water and Toxic Enforcement Act of 1986 (Proposition 65) in a manner that is fair, predictable and based on a firm foundation of scientific considerations. The two main objectives of this initiative are to increase public awareness of specific exposures to toxic chemicals and to eliminate discharges of specified toxic materials into drinking water.

Proposition 65 was implemented in 1987-88 by eight individual departments and agencies with total budget authority of \$11.6 million.

The 1987-88 and 1988-89 funding levels were predicated upon the assumption that \$4 million in fees would be generated by individuals and entities requesting a Safe Use Determination which is a determination if toxic material is being discharged into drinking water. However, no reimbursements materialized and the statewide funding level for 1989-90 reflects the existing state-funded portion of the program of \$7.4 million. The fiscal resources needed for implementation of Proposition 65 in 1989-90 are summarized in Table 6-3.

The Proposition enacts statutes to inform the people of California and protect them from exposure to chemicals known to cause cancer or reproductive toxicity. Specifically, Proposition 65:

- Requires the Governor to publish and update at least annually a list of those chemicals known to the State of California to cause cancer or reproductive toxicity. The list published initially on February 27, 1987, contained 29 chemicals. The most recent update on January 1, 1989, contained 269 chemicals. The Proposition also requires the Governor to publish a list of those chemicals that, at the time of publication, are required by state and federal law to be tested for their potential to cause cancer or reproductive toxicity, but have not yet been adequately tested as required. This second list, published on January 1, 1989, will be updated at least annually. In publishing and updating these

Figure 6 - 2

**Department of Health Services
Proposed 1989-90 Local Assistance Expenditures
Total Funds**

(Dollars in Millions)

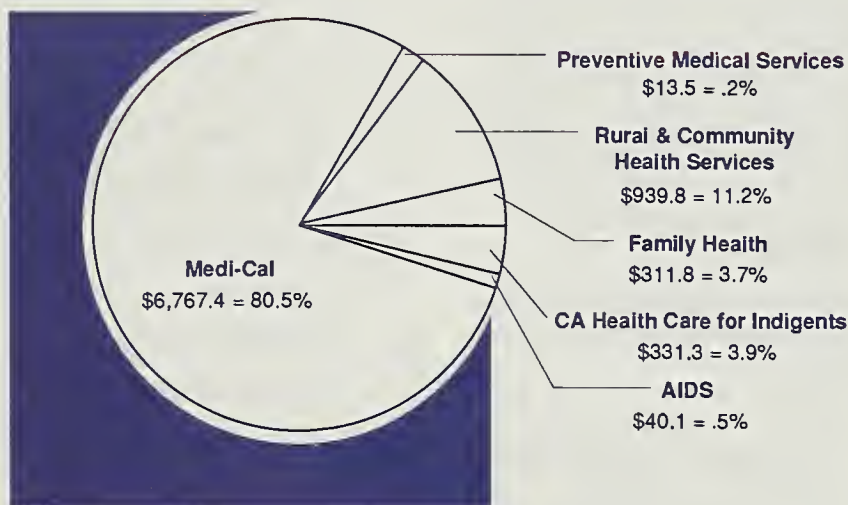


Table 6-3

**Proposition 65 Funding
(Dollars in Thousands)**

	General Fund	HWCA	Agriculture Fund	Total
HWA.....	\$372	—	—	\$372
DHS	2,246	\$731	—	2,977
DFA.....	1,869	—	\$78	1,947
SWRCB	1,525	—	—	1,525
DOJ.....	494	—	—	494
ARB.....	70	—	—	70
DFG.....	23	—	—	23
OES.....	23	—	—	23
Total	\$6,622	\$731	\$78	\$7,431

lists, the Governor is to call upon a panel of experts, the Scientific Advisory Panel.

- Prohibits exposing, in the course of doing business, anyone to a listed carcinogen or reproductive toxicant without giving them prior warning. The warning requirement is effective 12 months after a chemical is listed as a carcinogen or reproductive toxicant. The Proposition impacts businesses releasing chemicals into the environment, selling products or otherwise doing business in California, whether or not the product was produced in California, in other states or even in other countries. It applies to a wide range of consumer goods, including foods, drugs, medical devices, cosmetics, toys, hazardous household products, art and craft materials and to workplace exposures.
- Prohibits anyone in the course of doing business from knowingly discharging significant amounts of listed chemicals into existing or potential sources of drinking water. The discharge prohibition becomes effective 20 months after a chemical is listed as a carcinogen or reproductive toxicant. "Significant amount" has been defined to mean any detectable amount, unless the exposure to the chemical in drinking water can be shown to pose no significant risk of cancer, or have no observable effect at 1,000 times the level in question for reproductive toxicants.
- Requires "designated employees" to report to county governments (local Boards of Supervisors and Health Officers) any known instances of the illegal discharge or threatened illegal discharge of a hazardous waste when such a discharge is likely to cause substantial injury to public health or safety. County governments are then required to make this information available to the media.

The Governor designated the Health and Welfare Agency as lead agency to coordinate the efforts of all af-

ected agencies implementing Proposition 65. The other state agencies and their major roles in Proposition 65's implementation are:

Department of Health Services

- Coordinates the reporting of illegal discharges by designated employees;
- Provides scientific support to the Health and Welfare Agency for the Scientific Advisory Panel;
- Conducts risk assessments on listed chemicals in response to Health and Welfare Agency requests;
- Provides technical assistance to industry and local governmental agencies regarding compliance with the Act;
- Enforces the warning provisions of the Act as they relate to foods, drugs and consumer products;
- Provides legal support to the Health and Welfare Agency on implementation of the Act.

Department of Food and Agriculture

- Provides scientific data and reviews to the Health and Welfare Agency for the Scientific Advisory Panel;
- Conducts risk assessments on pesticides;
- Provides technical assistance to pesticide registrants, the agricultural industry, County Agricultural Commissioners and the public;
- Performs monitoring and enforcement activities;
- Reports discharge incidents to county officials.

State Water Resources Control Board

- Reports discharge incidents to county officials;
- Reviews Water Quality Control Plans to identify present and potential sources of drinking water, and to notify dischargers of such sources;
- Revises waste discharge requirements and National Pollutant Discharge Elimination System permits to include effluent limits to

"The Administration is implementing the Safe Drinking Water and Toxic Enforcement Act of 1986 (Proposition 65) in a manner that is fair, predictable and based on a firm foundation of scientific considerations."

meet the water quality objectives to protect drinking water supplies;

- Conducts tests and investigations of dischargers and ambient waters to ensure compliance with appropriate water quality objectives;
- Develops and implements policies which ensure statewide consistency on designating sources of drinking water, as well as establishing and applying water quality objectives to protect those sources;
- Provides technical assistance to industry, governmental agencies and the public regarding Proposition 65's applicability to discharges to surface and ground waters.

Air Resources Board

- Reports discharge incidents to county officials.
- Provides technical assistance to industry, governmental agencies and the public regarding Proposition 65's applicability to air releases.

Department of Fish and Game

- Compiles incident (off-road oil and chemical spill) reports, notifies local government officials and transmits information to DHS for Proposition 65 reporting purposes.

Office of Emergency Services

- Screens, classifies and reports Proposition 65 incidents to appropriate local officials, and forwards reports to DHS.

Department of Justice

- Enforces violations of Proposition 65 and provides legal assistance to the Health and Welfare Agency via contract with the Department of Transportation.

Business, Transportation and Housing Agency

- Provides legal assistance through the Department of Transportation (funded by the Department of Justice) to the Health and Welfare Agency for the implementation of the Act.

Accomplishments. As a result of Proposition 65, the following significant advances have been achieved:

- Warnings about the hazards of drinking alcoholic beverages during pregnancy are being given throughout the state at the point of sale. These warnings predate by over one year the federally required labels, which will be in place by November 1989. Proposition 65 may have had a role in bringing about the federal legislation.
- Cancer and reproductive hazard warnings on tobacco products—cigars, pipe tobacco, and roll-your-own cigarettes—will be present nationwide as a result of a settlement on the enforcement action against the manufacturers for failure to warn. These products have never had the federal warning required for cigarettes.
- Improved warnings on camp lantern mantles for exposure to thorium dioxide as a result of an enforcement action.
- The quality of material safety data sheets and workplace warnings is improving as businesses strive to comply with this aspect of Proposition 65.
- In an effort to remove themselves from the purview of Proposition 65, manufacturers are reassessing the use of listed chemicals in their products, and are researching the use of alternative chemicals that are not subject to the requirements of the Act.
- **Licensing and Certification Program.** The Department of Health Services' Licensing and Certification Program monitors the quality of care provided by over 5,000 public and private facilities throughout the state. Licensing and Certification Program staff develop, implement and enforce health care standards and certify all long-term care facilities pursuant to established state regulations and federal requirements. The Department issues corrective actions or other penalties to those health care facilities that violate laws or

standards governing the administration of appropriate health care. The 1989–90 Budget proposes \$37 million for the Licensing and Certification Program which includes an augmentation of \$2.9 million to enhance licensing activities which will assist in accomplishing the following:

- \$2.6 million and 37 personnel years to implement the third and final year of the Licensing and Certification Workload Study pursuant to the Legislature's request in the 1986 Budget Act to study and prepare necessary staffing adjustments for licensing activities. In total, over 200 field positions will have been added to the Licensing program over a three-year period.
- \$883,000 to reimburse the Department of Justice for legal work on disputed citations.
- Savings of \$1 million and the addition of 69 personnel years to assume the licensing and certification workload currently contracted to the County of Los Angeles.

Acquired Immune Deficiency Syndrome. Acquired Immune Deficiency Syndrome (AIDS) is one of the most serious public health threats faced by our society in recent history. There is still no vaccine or cure for this fatal, communicable disease. Under this Administration, California has become a national leader in the battle to combat AIDS. Based upon the latest information available, a George Washington University (State AIDS Policy Center at the Intergovernmental Health Policy Project) comparison of funding levels reveals that activities of the five states with the largest case-loads of AIDS account for nearly 69 percent of all diagnosed cases in the United States, while accounting for 77 percent of total state funds allocated for AIDS in 1987–88. California's AIDS-related appropriations account for 48 percent of the total expenditures of those five states. Over the term of this Administration, \$317.6 million has been committed to solving this major health crisis. Funding for AIDS programs state-

wide totals \$101 million in 1988–89 and \$102.8 million is proposed in 1989–90. This increase of \$1.8 million is the net result of \$18.6 million in augmentations in 1989–90 in the Department of Health Services and other agencies minus \$16.8 million in one-time funding in 1988–89. (See Figure 6-3.)

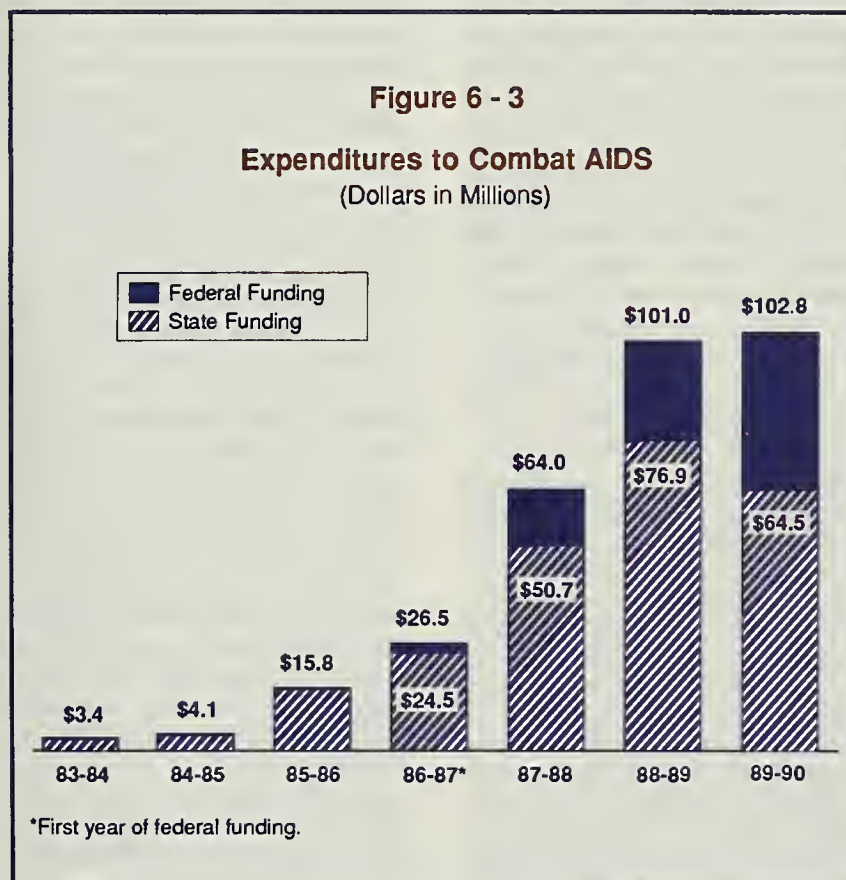
This level of funding will support specialized epidemiologic studies and AIDS research, anonymous and confidential testing for the HIV virus, various AIDS information and education campaigns and treatment projects, homeless shelters and mental health services for AIDS victims. Some of the more significant allocations are:

- \$32 million in federal funds for various special projects, including surveillance, seroprevalence studies, treatment projects and counseling and testing activities;
- \$15.8 million for information and education grants;

- \$6.7 million for epidemiological investigation and surveillance;
- \$7.9 million for various treatment projects;
- \$7.2 million for AIDS activities of the Department of Alcohol and Drug Programs,
- \$5.4 million for anonymous HIV testing;
- \$2.2 million for confidential testing and education in publicly funded clinics,
- \$1.1 million for California Children's Services benefits;
- \$1.5 million for mental health services;
- \$9.9 million for AIDS research; and
- \$3.7 million for AIDS activities of the Department of Corrections.

California Tumor Registry. Chapter 841, Statutes of 1985, requires the state to establish and maintain a statewide cancer reporting system. Pursuant to this legislation and re-

“ . . . California's Statewide Cancer Reporting System . . . collects data which are used to determine statistically significant patterns or incidences of cancer and possible cause and effect relationships.”



lated statutes, California has a system for the collection and analysis of information on all cases of cancer occurring in the state. The law provides for the establishment of regional registries throughout the state, each of which is responsible for collecting complete data on all cases from one or more counties which comprise the region.

The Tumor Registry, California's Statewide Cancer Reporting System, is a statewide population-based cancer reporting and surveillance system implemented through ten regional registries. The registries collect data which are used to determine statistically significant patterns or incidences of cancer and possible cause and effect relationships.

In fiscal year 1982-83, the California Tumor Registry, mainly under federal sponsorship, collected data on 13,400 cancer cases a year diagnosed among the population of the San Francisco-Oakland Metropolitan Statistical Area. Cancer reporting was voluntary and data were abstracted from hospital records manually. Cancer reporting is now required throughout California. In fiscal year 1989-90, the Tumor Registry will collect data on an expected 115,000 cancer cases a year diagnosed among the population of the state.

The Department of Health Services has designed a microcomputer software program for cancer registry management, CANSUR/NET, which is in demand from hospitals and cancer registries throughout the United States and other countries.

The 1988-89 budget for the Statewide Cancer Reporting System totals \$7 million. The 1989-90 Governor's Budget proposes a total of \$7.9 million and includes an augmentation of \$858,000 and 4 personnel years to complete statewide implementation of the regional cancer registry program.

California Birth Defects Monitoring Program. The California Birth Defects Monitoring Program was established in 1982 in recognition of birth defects as an important pedi-

atric problem. This program's efforts are on early intervention, education, and coordination among public and private agencies and organizations. This program has the largest population-based birth defects registry of its kind in the world.

The Birth Defects Monitoring Program monitors about 325,000 births per year in 57 California counties to identify children born with birth defects. Birth defects are a leading cause of child health problems and infant deaths, yet the causes of more than 80 percent of all birth defects are unknown. Scientific and public concerns have raised questions about the effects of environmental factors on birth defects. In response to these concerns, the Birth Defects Monitoring Program collects information about children with birth defects directly from more than 350 California hospitals. This information is used to monitor trends and patterns in birth defects and also to evaluate relationships between suspected environmental factors and birth defects.

Beginning in 1988-89, the state entered into a new partnership with the March of Dimes Foundation for the administration of the Birth Defects Monitoring Program. This new relationship brings the unique expertise of the March of Dimes to the registry and enhances the potential for the registry to make a lasting breakthrough in preventing birth defects.

The 1988 Budget Act appropriated \$4.6 million for the Birth Defects Monitoring Program. The 1989-90 Governor's Budget proposes to continue this funding level.

Office of Environmental Health Hazard Assessment.

The Office of Environmental Health Hazard Assessment (OEHHA) performs an integral function for numerous programs within the Department of Health Services. Among other responsibilities OEHHA provides a capability for rapid investigation of incidents in which environmental contamination is suspected and provides continuing research on the health effects of toxic chemical environmental contamination. Epidemiological studies and risk assess-

ments in support of the Toxic Substances Control Division related to the Safe Drinking Water and Toxics Enforcement Act of 1986 are provided by OEHHA in addition to scientific support services for the California Birth Defects Monitoring Program.

Funding for OEHHA in 1982-83 was \$3.7 million. The 1989-90 Governor's Budget proposes \$16.9 million for the program representing a 356 percent program growth since 1982-83. New components of the proposed budget include the following:

- An increase of \$816,000 for second year funding to investigate and analyze the effects of water exposure and pregnancy outcomes in Santa Clara, Sacramento and Los Angeles Counties.
- An increase of \$102,000 and 2 personnel years for workload related to health risk assessments and consultation with the Air Resources Board on the Air Toxics "Hot Spot" Information and Assessment Act of 1987.

Immunization Program. The Immunization Program embodies a collaborative effort by the Department of Health Services Immunization Unit and local health departments which, with the participation of the private medical community, has as its goal the successful control or elimination of the following diseases: poliomyelitis, diphtheria, tetanus, pertussis, measles, mumps, rubella, hepatitis B, Haemophilus b meningitis, pneumococcal disease and influenza. Currently, the percentages of California children that are fully immunized are as follows: Measles, mumps and rubella—98 percent; diphtheria, tetanus and pertussis—92 percent; poliomyelitis—94 percent. The program will provide over 800,000 vaccines to children under 18 years of age through 59 city and county health departments and public clinics during 1989-90.

The 1988 Budget Act appropriates \$12.6 million for the Pediatric Vaccination Program. The 1989-90 Governor's Budget proposes a total of

\$14.7 million for the program, an increase of 16.7 percent.

Low Level Radioactive Waste Program. Legislation in 1983, mandated the establishment of a Low Level Radioactive Waste disposal facility in California by the year 1993. The budget reflects \$410,000 in 1988–89 and \$599,000 in 1989–90 to develop and begin operation of the disposal site during the 1990–91 fiscal year. This program is currently supported by federal disposal fee rebates and will be completely fee supported once fully operational.

Nuclear Emergency Response. Legislation in 1988 enacted the Radiation Protection Act to provide for the development of nuclear radiation plans, including preparation for nuclear powerplant accidents. The budget reflects \$294,000 in 1988–89 and \$375,000 in 1989–90 in reimbursements from the Office of Emergency Services who has lead responsibility for nuclear emergency response activities. The Office of Emergency Services contracts with the Department of Health Services for development of a nuclear emergency powerplant response plan, including the development of special medical facilities for victims of powerplant emergencies and the selection of facilities to serve as receiving centers.

Inspection of California Food Manufacturers. Legislation in 1988 establishes a fee-supported program of annual inspection and registration of every person engaged in the manufacture, packing or holding of processed foods in this state. The budget reflects a net increase in funding of \$87,000 in 1988–89 and \$2.6 million in 1989–90 for implementation of this measure. The program will be phased in over two years, 1988–89 and 1989–90, with full staffing of 62 personnel years in the second year. This program will provide the Department with the resources necessary to protect California consumers from the potential health risks and economic disruption caused by manufacturers who do not comply with public health standards.

Medi-Cal. The California Medical Assistance program (Medi-Cal) provides reimbursements for medical care services to low income persons and families. Authorized under Title XIX of the Social Security Act as California's Medicaid program, Medi-Cal is intended to assure the provision of necessary health care services to public assistance recipients and others who cannot afford to pay for these services themselves. The proposed budget for 1989–90 includes \$6.8 billion to serve an average monthly caseload of 3.3 million people. This represents a growth rate of \$344 million or 5.4 percent over the 1988–89 expenditure level, and \$2.8 billion or 70.6 percent over the 1983–84 level.

The 1989–90 budget reflects \$2.1 billion (\$1 billion General Fund) for hospital inpatient services, an increase of \$169.2 million (\$68.7 million General Fund) over the 1988–89 revised level. In 1989–90 hospital expenditures will be 32.1 percent of total Medi-Cal service expenditures. The budget also includes \$1.3 billion for professional services. This represents 19.7 percent of medical care expenditures. In 1989–90, expenditures for skilled nursing and intermediate care facilities are projected at \$1.1 billion (\$572.7 million General Fund) and represent 17.5 percent of expenditures for medical care services. In addition, the 1989–90 Budget projects expenditures of \$543.0 million (\$259.2 million General Fund) for outpatient prescription drugs, an increase of \$17.6 million (\$3.8 million General Fund) over 1988–89. This has been one of the fastest growing areas in the Medi-Cal program, increasing from 5.5 percent of expenditures for benefits in 1978–79 to 8.3 percent in 1989–90. (See Figure 6-4 for trends.) Initiatives to reduce drug costs are discussed in the beginning of the Health and Welfare Section.

Since 1983–84, the average monthly Medi-Cal caseload has grown from 2.8 million to 3.3 million, an increase of 17.9 percent (not including newly eligible individuals as a result of recent legislation; see below). During

*“The Birth
Defects
Monitoring
Program
monitors about
325,000 births
per year in 57
California
counties to
identify children
born with birth
defects. Birth
defects are a
leading cause of
child health
problems and
infant
deaths . . . ”*

the same period, however, the cost of Medi-Cal benefits has increased from \$3.8 billion to \$6.5 billion (in 1989-90), an increase of 71.1 percent (See Figure 6-5). This increase is the result of increases in rates, eligibles using more services, and eligibles using more expensive services than before, as well as caseload increases. Of these factors, the primary increase is in the number of eligibles who use services, which has been increasing faster than the number of eligibles themselves.

California and Other States. Despite the fiscal constraints which have faced California, the Medi-Cal program has continued to fund caseload growth while maintaining a large scope of medical services for beneficiaries, including benefits which are optional under federal law.

Benefits. Federal law requires states participating in the Medicaid program to provide a core of basic services, including physician; hospital inpatient and outpatient; skilled

Figure 6-4

Cumulative Percent Increase in Medi-Cal Expenditures for Drugs and Other Benefits

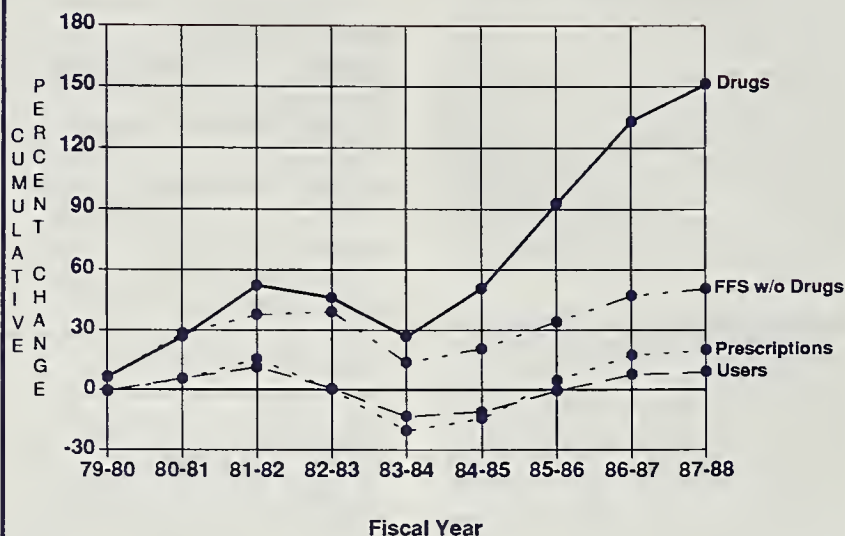
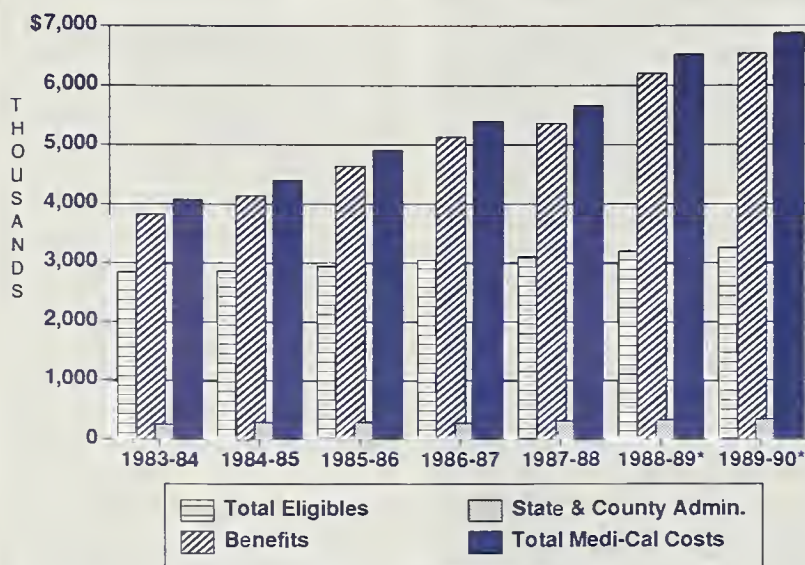


Figure 6-5

Growth of Medi-Cal Costs 1983-84 through 1989-90



* Includes total amounts projected for 1988-89 and 1989-90.

nursing; laboratory and x-ray; home health care; early and periodic screening, diagnosis and treatment for individuals under 21; family planning; and rural health clinics. In addition, the federal government provides matching funds for 32 optional benefits. California provides 30 of these benefits.

Information from the federal Health Care Financing Administration indicates that California provides more optional services to Medicaid beneficiaries than most other large states.

A telephone survey was taken of the eight largest Medicaid states to identify the number of benefits provided in 1988-89. The results of that survey are presented in Table 6-4. Overall, the average number of optional benefits provided by the seven other large Medicaid states is 24 for cash grant eligibles and 21 for medically needy eligibles (24 if Ohio is excluded). California exceeds this average by approximately 25 percent.

Table 6-4**Number of Optional Benefits Provided
by the Eight Largest Medicaid States**

State	Number of Optional Benefits Provided to	
	Cash Grant Recipients	Medically Needy Recipients
California	30	30
New York	30	30
Ohio.....	19	—
Pennsylvania.....	17	14
Michigan.....	28	28
Illinois.....	28	28
Massachusetts.....	30	30
Texas	15	15

Source: Department of Finance telephone survey, December 1988

Eligibility. In addition, the Medi-Cal program continues to allow the highest income eligibility standard in the nation, exceeding the average for the next 11 largest Medicaid states by 71 percent (See Table 6-5). Persons eligible for Medi-Cal fall into two major federal categories: cash grant recipients and the medically needy.

As Table 6-5 indicates, the Medicaid income eligibility level varies from state to state. California ranks first nationally in its Medicaid income allowance of \$10,704 (for a family of three). Overall, the average for the other 11 large Medicaid states is \$6,252, which California exceeds by 71.2 percent.

Because of California's broad eligibility standard, a larger proportion of individuals below the poverty level are covered by the Medi-Cal program than by Medicaid programs in any of the next 11 largest states. The California eligibility standard is 110.5 percent of the federal poverty level, the only state of the 12 largest to exceed 100 percent. New York, Massachusetts, New Jersey, Wisconsin, and Minnesota cover between 75 and 90 percent of the eligible population below the poverty level, while Pennsylvania, Michigan, and Illinois cover between 50 percent and 75 percent. Ohio, Florida and Texas

cover less than half of eligible population below the poverty level. The average for the other 11 large Medicaid states is coverage of 67.1 percent of the eligible population living below the poverty level, or approximately 61 percent of the population covered in California.

Cost and Funding. While Medi-Cal provides a large scope of medical services to a broader segment of the population than other states, its costs per beneficiary are lower than any of the next 11 largest states because of sound fiscal management. This includes:

- Thorough screening of applicants to assure they meet income and asset, residency, and other program requirements, and to obtain share of cost (deductible) information;
- A process which requires prior authorization for many non-emergency services;
- Negotiation of inpatient hospital rates for most hospitals by the California Medical Assistance Commission;
- A cost-based reimbursement system for long-term care which provides incentives for efficiency and cost containment;
- the selective use of discretionary cost-of-living adjustments to en-

“Despite the fiscal constraints which have faced California, the Medi-Cal program has continued to fund caseload growth while maintaining a large scope of medical services for beneficiaries, including benefits which are optional under federal law.”

courage access for sensitive services such as maternity care;

- A system of edits and audits which screen claims prior to payment;
- The use of capitated health plans which achieve savings; and
- An effective audit and investigation program.

Overall, California's Medi-Cal program provides more services to a larger group of beneficiaries at a lower average cost than any other state in the nation. California provides more optional benefits to a larger proportion of its indigent population using the smallest proportion of federal funds, at the lowest cost per user of the 12 largest Medicaid states.

In addition to services already provided under the Medi-Cal program, a number of expansion programs have recently been added.

Immigration Reform. Legislation recently signed by the Governor has expanded the provision of benefits by increasing the number of individuals and families eligible for Medi-Cal. Chapter 1441, Statutes of 1988 (SB 175), provides eligibility to persons granted amnesty under the federal Immigration Reform and

Control Act (IRCA) of 1986 and to undocumented persons for emergency and pregnancy related services, pursuant to the federal Omnibus Budget Reconciliation Act of 1987. In 1989-90, Medi-Cal is projected to serve 133,000 IRCA newly legalized persons at a cost of \$92.9 million (all federal funds), and 135,000 undocumented persons and persons who have temporary visas at a cost of \$68.7 million (\$34.4 million General Fund).

The Department of Health Services completed all planning and pre-implementation activities for SB 175 in advance of its effective date of October 1, 1988, allowing the Department to begin providing services and making payments to providers immediately upon the new law's taking effect.

Maternity Care. Legislation of 1988 increases Medi-Cal eligibility for maternity services. The Medi-Cal eligibility level of 133 percent of the AFDC standard is approximately equal to 110 percent of the federal poverty level. This legislation expands the Medi-Cal eligibility standard to 185 percent of the federal poverty level for maternity and infant care. (The infant is covered for the first year after birth.) California is

one of only nine states to implement this federal option, while three other states have implemented it at a lower level (125 to 150 percent). The only other large states to implement it are Massachusetts, Michigan and Minnesota. In addition, SB 2579 authorizes the Department of Health Services to increase the reimbursement rate paid for obstetrical care by 18 percent. This increase was effective January 1, 1989. With this adjustment, rates for maternity care have increased by 60.5 percent since 1986-87 (compounded over three separate increases). The 1989-90 budget contains \$9 million (\$4.5 million General Fund) to reflect the cost of the most recent increase. The budget also contains \$21.3 million (\$10.7 million General Fund) to implement the new 185 percent eligibility standard. The full cost of this eligibility level, \$46.1 million (\$23.1 million General Fund), will not be reflected until 1990-91 due to payment lags.

Hospital Services. Other priority areas in the Medi-Cal program are hospital care, especially for disproportionate share Medi-Cal providers, and long-term care. The 1988-89 Budget contains \$20.2 mil-

Table 6-5

**Income Eligibility Levels for a Family of Three
in the Twelve Largest Medicaid States, 1988-89**

<i>State</i>	<i>AFDC Elig Level</i>	<i>Percent of Poverty</i>	<i>Medicaid MN Elig Level</i>	<i>Percent of Poverty</i>
California	\$7,956	82.1	\$10,704	110.5
New York	6,468	66.7	7,608	78.5
Pennsylvania	4,608	47.6	5,400	55.7
Ohio	3,708	38.3	—	—
Michigan	6,864	70.8	6,588	68.0
Florida	3,300	34.1	4,404	45.4
Illinois	4,104	42.4	5,496	56.7
Massachusetts	6,600	68.1	8,796	90.8
Texas	2,208	22.8	3,204	33.1
New Jersey	5,088	52.5	6,792	70.1
Wisconsin	6,204	64.0	8,268	85.3
Minnesota	6,384	65.9	8,508	87.8

Source: Health Care Financing Administration. Data reflect standards effective July, 1988.

lion (\$10.1 million General Fund) for rate increases for inpatient care to disproportionate share hospitals (those serving a greater than average number of Medi-Cal patients), the remainder of a \$25 million (\$12.5 million General Fund) appropriation in the Budget Act of 1987.

The 1989–90 Budget contains \$80.6 million (\$40.3 million General Fund) for rate increases for inpatient care to all hospitals under contract with the California Medical Assistance Commission, and \$10.7 million (\$5.3 million General Fund) for rate increases to non-contract hospitals. In addition, further legislation authorizes the California Medical Assistance Commission to negotiate new contract rate increases of up to \$50 million (\$25 million General Fund) for disproportionate share hospitals. The budget estimates that \$40 million (\$20 million General Fund) will be spent during 1989–90.

Another bill increased hospital outpatient rates for disproportionate share hospitals and appropriates \$5 million (General Fund) for this purpose, which, when matched with federal funds, will support increases of \$10 million starting in the 1988–89 fiscal year. An additional \$4 million (\$2 million General Fund) is reflected in the budget to continue increased outpatient rates for small and rural hospitals pursuant to the criteria contained in legislation.

Further, legislation authorizes a supplemental Medi-Cal rate for certain capital projects undertaken by disproportionate share hospitals. Because of the time required for project planning, it is anticipated that the impact of this bill will not be reflected until after the 1989–90 fiscal year. When implemented, however, this special rate will assist county and other hospitals to finance projects to correct regulatory, licensing and seismic safety problems, as well as meeting the requirements of the Joint Commission on the Accreditation of Hospitals.

Long Term Care. The federal Omnibus Budget Reconciliation Act of 1987 enacted long-term care reform which will affect benefits covered by California's Medi-Cal pro-

gram. The major provisions of this law require the consolidation of the intermediate care facility and skilled nursing facility levels of care into a single category called nursing facility by October 1, 1990; more intensive screening of new admissions to long-term care facilities and current residents to identify case histories of mental illness or developmental disabilities beginning January 1, 1989; and the provision of active treatment for persons so identified beginning April 1, 1990. The 1989–90 Budget includes 17 personnel years and \$892,000 (\$365,000 General Fund) in the Medi-Cal program to implement these provisions.

Department of Social Services

The Department of Social Services is responsible for providing protection, care and other assistance to needy eligible persons of this state. These services are provided through the Department's Welfare, Social Services, Community Care Licensing, Disability Evaluation and Employment Services programs. The proposed budget for 1989–90 is \$9.3 billion and 3,566 personnel years. This represents a \$413.7 million, or 4.7 percent, increase from the revised 1988–89 funding level. See Figure 6-6 for Local Assistance Expenditures.

Payments for Children. The Department supervises county administration of the federal Aid to Families with Dependent Children (AFDC) and Food Stamps programs. In 1989–90, the Budget provides \$179.6 million General Fund for the state's share of county costs of administering these programs. The Department also manages a statewide program of financial assistance for abused and neglected children who have been removed from their own homes and placed in foster care. In 1989–90, it is estimated that 614,600 families will receive AFDC benefits at an average grant of \$607.44 per month for AFDC Family Group and Unemployed Parent. In addition, an estimated 56,600 children will receive foster care ser-

“While Medi-Cal provides a large scope of medical services to a broader segment of the population than other states, its costs per beneficiary are lower than any of the next 11 largest states because of sound fiscal management.”

VICES at an average grant per child per month of \$1,010.82.

Supplemental Security Income/State Supplementary Program (SSI/SSP).

The Department administers the SSI/SSP, which provides cash assistance to eligible aged, blind and disabled persons. The federal government determines basic eligibility and issues payment to persons who meet income and resource criteria established by the federal government. The state supplements the amount of the SSI grant, and the federal government administers the state's supplemental payments through local Social Security Administration offices. In addition, the Social Security Act Amendments of 1983 require California to maintain its SSP grants at or above the 1983 level. In 1989-90, the Governor's Budget proposes \$2 billion General Fund for support of the the SSI/SSP program which will provide assistance to approximately 800,000 eligible aged, blind and disabled persons. The average

monthly SSI/SSP grant is expected to be \$630 for an individual and \$1168 per couple.

Table 6-6 provides a comparison of SSI/SSP payment standards and the AFDC maximum aid payment for California and the nine other most populous states.

Child Support Enforcement.

Working in cooperation with county district attorneys and county welfare departments, the Department of Social Services supervises the child support enforcement program mandated under Title IV-D of the Social Security Act. In fiscal year 1987-88, the program collected \$426 million for children living in California and another \$39 million from parents in California whose children live out of state.

Since 1980, the Department has operated through the Child Support Management Bureau several very successful intercept programs. The Internal Revenue Service/Child Support Tax Refund Intercept pro-

gram has recovered more than \$264 million in delinquent child support payments which have been used to offset public assistance funds. This program was expanded in 1986 to include delinquent child support payments for children not on public assistance.

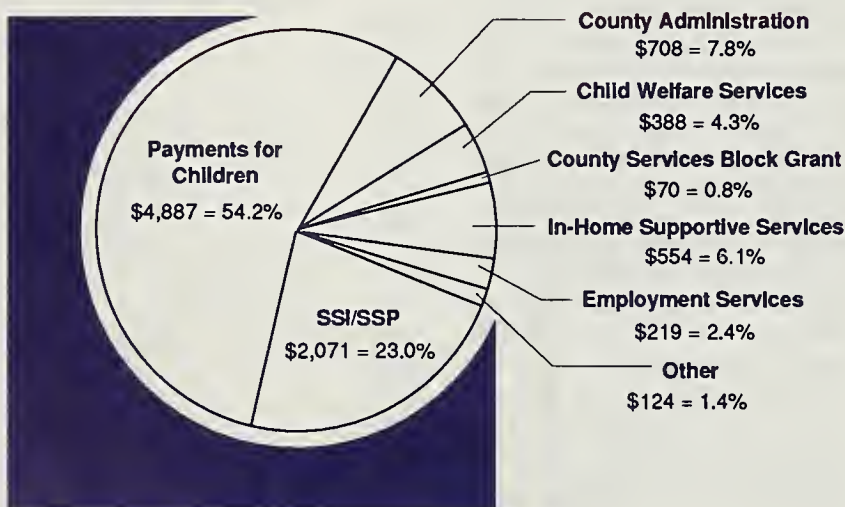
The Franchise Tax Board/Child Support Tax Refund Intercept Program has recovered more than \$122 million to replace public assistance funds and for payments directly to families. In 1985, the program was expanded to offset California Lottery winnings, with \$780,447 collected since October 1985.

Finally, the Employment Development Department/Unemployment Insurance Intercept Program has recovered \$45 million since its implementation in 1984 and collects approximately \$1 million a month in delinquent child support for children on public assistance as well as payments directly to families.

Child Welfare Services. The Child Welfare Services (CWS) program provides emergency, maintenance and placement services to abused and neglected children and their families. These services are provided through four component programs within CWS:

- The Emergency Response component provides immediate in-person response, 24 hours-a-day, seven days a week, to reports of abuse, neglect or exploitation, for the purpose of providing intake services and crisis intervention to maintain the child safely in his or her own home or to protect the safety of the child;
- The Family Maintenance component provides time-limited protection services to prevent or remedy neglect, abuse or exploitation, for the purposes of preventing separation of children from their families;
- The Family Reunification component provides time-limited foster care services to prevent or remedy neglect, abuse or exploitation when the child cannot safely remain at home and needs tempo-

Figure 6 - 6
Department of Social Services
Proposed 1989-90 Local Assistance Expenditures
Total Funds
(Dollars in Millions)



rary foster care while services are provided to reunite the family; and

- The Permanent Placement component provides an alternative permanent family structure for children who because of abuse, neglect or exploitation cannot safely remain at home and who are unlikely to ever return home.

Based on available data, the average monthly caseload for each component program is as follows: Emergency Response, 35,500; Family Maintenance, 25,100; Family Reunification, 21,200; and Permanent Placement, 32,100. The 1989-90 Budget provides an additional \$62.7 million (\$55.7 million General Fund) for Child Welfare Services. This increase represents a 19.5 percent increase (22.4 percent General Fund) over the 1988-89 estimate. Since fiscal year 1982-83, there has been an average annual funding increase of 27 percent (308 percent General Fund). (See Figure 6-7) Thus, while caseload has steadily increased

since 1982-83, by comparison, during the same period, there has been a five-fold increase in General Fund expenditures for this program.

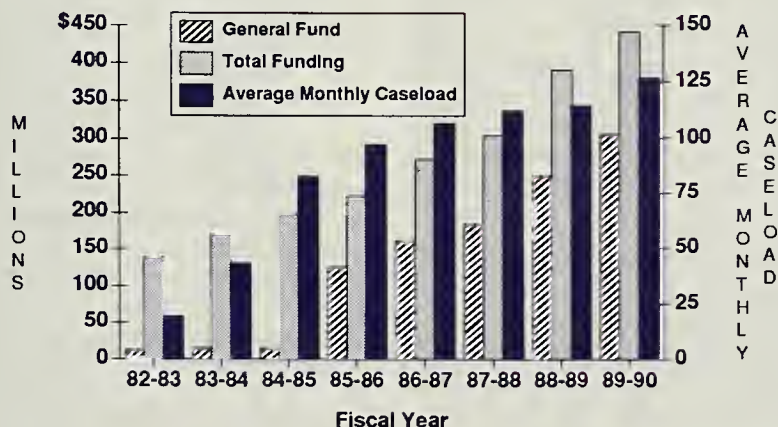
As part of the Administration's initiative on drug and alcohol exposed infants, the Governor's Budget proposes an increase of \$1.2 million General Fund and 2 personnel years to establish a pilot project in Alameda, San Diego, Sacramento and Los Angeles counties to recruit, train and provide respite care for foster parents to care for children born with substance addiction or with Acquired Immune Deficiency Syndrome (AIDS). The resources proposed by this initiative are anticipated to result in the establishment of approximately 600 foster family homes to care for an estimated 1,200 substance exposed infants in 1989-90.

In Home Supportive Services.

The In-Home Supportive Services (IHSS) program provides assistance to eligible aged, blind and dis-

"The Internal Revenue Service/Child Support Tax Refund Intercept program has recovered more than \$264 million in delinquent child support payments which have been used to offset public assistance funds."

Figure 6-7
Child Welfare Services
Caseload/Funding Comparison



abled persons who are unable to remain safely in their own homes without assistance. Currently, IHSS recipients receive monthly grant payments which are intended to provide reimbursements based on an hourly rate for domestic and related services and non-medical personal services such as bathing and dressing. These services are administered by the county welfare departments and delivered in one or a combination of ways: by individual providers hired by the recipients, by private agencies under contract with the counties, or by county welfare staff. On an annual basis there are approximately 125,000 individuals who are receiving IHSS services. The number of individuals has increased by approximately 36 percent over the last five years. In addition, the average hours of IHSS service has increased by approximately 3 percent a year.

As discussed at the beginning of the Health and Welfare section, the Ad-

ministration is proposing legislation which will limit the average hours available for services to clients for 1989-90.

Employment Programs. The Department of Social Services oversees the Greater Avenues for Independence (GAIN) program, which was authorized in 1985. This program is intended to reduce welfare dependency for a significant portion of single parents and their children. This is being accomplished by providing AFDC recipients with a mandatory program that will offer them a broad range of employment and supportive services as a means of achieving self-sufficiency. In 1989-90, funding of \$353 million (\$172 million General Fund) for the GAIN program is proposed. These resources will provide services to approximately 129,000 AFDC recipients statewide.

California's GAIN program made a considerable contribution to the passage of national welfare reform

legislation in 1988, the Family Support Act of 1988. This legislation requires programs similar to GAIN to be established in all states and will provide a larger federal share of the cost of operating the GAIN program.

The Job Opportunity and Basic Skills (JOBS) program established by federal law, requires AFDC recipients with children over the age of three to participate in the program which will provide basic education, job training, work experience and job search services. In addition, participants will be eligible for a 12-month extension of paid child care and Medicaid services (once off aid) to assist them in the transition from welfare to self-sufficiency. The Federal JOBS program assumes that all states will be operating a program by October 1, 1992. The Department of Social Services indicates that state legislation may be necessary in order to conform the GAIN program with the new federal requirements. However, the extent

Table 6-6
Comparison Of Payment Standards For The Ten Most Populous States

Effective July 1988

States ¹	SSI/SSP Payment Standards				AFDC Maximum Aid Payment Family of 3
	Independent Living Arrangement				
	Aged And Disabled		Blind		
	Individuals	Couples	Individuals	Couples	
California.....	\$575.00	\$1,066.00	\$643.00	\$1,253.00	\$663.00
New York City ²	426.00	625.00	426.00	625.00	539.00
New York-other ²	426.00	625.00	426.00	625.00	730.00
Texas ³	354.00	532.00	354.00	532.00	184.00
Florida ³	354.00	532.00	354.00	532.00	275.00
Pennsylvania.....	386.00	581.00	386.00	581.00	384.00
Illinois ⁴	354.00	532.00	354.00	532.00	342.00
Ohio ³	354.00	532.00	354.00	532.00	309.00
Michigan ²	384.00	577.00	384.00	577.00	542.00
New Jersey.....	385.00	557.00	385.00	557.00	424.00
North Carolina ³	354.00	532.00	354.00	532.00	267.00

¹ In descending order by state population, 1980 census.

² AFDC and SSI/SSP grant level varies regionally within the state. For example, Suffolk County in New York State provides the highest AFDC grant level (\$730.00). However, 70 percent of AFDC recipients reside in New York City where the maximum aid payment for a family of 3 is \$539 per month.

³ These states do not supplement SSI for an independent living arrangement.

⁴ Does not have a standard SSP allowance. Payments are based upon individual needs and circumstances. The average supplement in January 1988 was \$98.04.

to which the JOBS program will effect the GAIN program has not yet been fully evaluated.

Department of Mental Health

Approximately 335,000 Californians will receive services from state and county mental health programs in 1989-90. The services vary according to the needs of the individual. Within the mental health continuum of care, individuals with manageable disorders are treated in the community with funds subvented to county mental health programs. Individuals with the most serious illnesses, and those whose disorders make them incapable of living in the community, receive fulltime inpatient care at the state mental hospitals operated by the Department of Mental Health. In 1989-90, the Department's budget proposes \$1.2 billion and 7,150 personnel years to support both hospital and community programs.

Community Services. Community services consist of a broad variety of non-hospital treatment options, each of which is intended to enable a mentally disordered individual to remain in a community rather than a hospital setting.

In 1989-90, \$589.8 million will be subvented to county mental health programs for noncategorical mental health services. This represents an augmentation of \$25 million over the amount subvented in 1988-89, an increase of 4.4 percent. Counties are free to use their noncategorical funds for mental health programs tailored to the needs of their communities, as specified in the annual County Short-Doyle Plans.

Among the continuum of care options available in most counties is residential placement in board and care homes for persons incapable of maintaining their own household. To fund enhanced treatment for the most seriously mentally ill residents, the Supplemental Rate Program was established in 1986. The 1989-90 Budget proposes \$16.6 million in funding for this program which will serve nearly 4,000 clients statewide.

In recent years, interest in the concept of providing an integrated program of services for mental health clients, addressing their physical health, mental health, housing, money management and vocational training needs, has grown. In 1985, legislation initiated the Ventura County Project, under which a coordinated program of services is provided for mentally disordered children. In 1987, legislation authorized the extension of the Ventura model to other counties. In 1988, additional legislation mandated a four-year demonstration of the costs and benefits of providing integrated services to adult mental health clients. The 1989-90 Budget proposes \$9 million to fund the first year of the demonstration. The philosophy of the integrated services approach is that, by strengthening the network of community-based support services available to the mentally disabled, the frequency with which clients require expensive inpatient treatment will be reduced.

Individuals with brain damage or chronic brain disorders, such as Alzheimer's Disease, pose difficult problems for their families. Often the stress of caring for a brain damaged adult proves unbearable for the family, which then seeks placement for the injured member in a nursing home. Not only is this traumatic for the people involved, it is expensive for the public since most such patients are eventually supported by Medi-Cal. To encourage and enable families to maintain brain damaged members at home, the Department administers 11 regional resource centers. The centers provide families with consultation regarding options for treating their injured member, legal and financial consultation for estate planning, conservatorships and other matters and training in stress management. Most important is the center's respite care program, which offers subsidies for in-home support, day care and transportation to assist in the day to day needs of the brain impaired family member.

The Administration is also committed to the concept of self-help by the

"The philosophy of the integrated services approach is that, by strengthening the network of community-based support services available to the mentally disabled, the frequency with which clients require expensive inpatient treatment will be reduced."

mentally ill themselves. In January 1989, regional self-help centers will begin establishing new self-help groups, providing technical assistance to existing groups and collecting data. The five centers will provide services statewide, and complement efforts of the California Self-Help Center, a clearinghouse of information for self-help groups in California. The Center, which opened in 1985, is a joint project of the Department of Mental Health and the Department of Psychology at UCLA.

Institutions for Mental Disease offer a community alternative to state hospital placement for persons with chronic psychiatric and adaptive functioning impairment. Licensed as nursing homes, Institutions for Mental Disease currently provide inpatient psychiatric treatment for nearly 3,400 patients. Treatment is structured to improve the patients' self-help skills, general behavior and interpersonal relationships so that they may eventually be transferred to a less restrictive environment. In 1989-90, \$6.2 million will be added to the Department's budget to fund an additional 233 beds. Also \$745,000 will be appropriated to make permanent the administration of the Institutions for Mental Disease program by the Department.

The Omnibus Budget Reconciliation Act of 1987. The Omnibus Budget Reconciliation Act of 1987 (OBRA) has set the stage for major changes in the provision of inpatient mental health care services. This federal legislation requires that all prospective nursing home patients be screened before admission for mental illness and mental retardation. OBRA also requires that existing nursing home patients be screened for the same conditions. While the Department of Health Services will be responsible for performing initial patient screens, the Department of Mental Health will be responsible for performing a second screen of those found to have a primary or secondary diagnosis of mental illness. The 1989-90 cost of the screens to the Department will be \$12.6 million, with the federal

government providing three-quarters of the funding.

State Hospital Services. In 1989-90, 4,851 persons are projected to reside in California's mental hospitals. In addition to 2,512 Lanterman-Petris-Short and 10 dual diagnosed developmentally disabled patients at Napa, Camarillo, Patton and Metropolitan State Hospitals; 2,329 patients committed through the criminal justice system will be housed at Atascadero and Patton State Hospitals. The latter include inmates transferred from the Department of Corrections and wards from the California Youth Authority, as well as persons found not guilty by reason of insanity or incompetent to stand trial.

As a result of the Governor's Mental Health Initiative, first funded in 1984-85, all patients are now provided with planned, scheduled treatment (PST). The goal of PST is to treat each patient's specific illness so that he or she may be released to a less restrictive setting. Since 1984-85, a total of \$45.3 million in General Fund and 963 personnel years have been added to the hospitals to provide PST. In 1989-90, \$6.3 million and 173 personnel years will be added to continue this effort. As a direct result of these improvements, all five Department of Mental Health hospitals have received national accreditation from the Joint Commission on Accreditation of Healthcare Organizations. In view of the fact that only 25 percent of all state mental hospitals in the nation are accredited, California's achievement is particularly noteworthy.

Beyond the provision of planned scheduled treatment, California's mental hospitals are pursuing a number of research efforts intended to improve the treatment available for persons with mental illness. Currently, research is being performed on psychotropic medications at Metropolitan State hospital in conjunction with the UCLA Department of Psychiatry. At Camarillo State Hospital, research is being performed jointly with the UC Irvine Department of Psychiatry on treatment resistant patients. In 1989-90, the

department's most ambitious research effort to date will be initiated at Napa State Hospital. The Biological Psychiatry Treatment and Research Unit, consisting of 40 beds and supported by a staff of 18.5 medical and research personnel, will be established at a cost of \$769,000. The ongoing research program will be carried out in collaboration with Stanford University's Schizophrenia Biologic Research Unit. The ultimate goal of the research will be the development of better treatment protocols which either reduce the length of patient stays in state hospitals or prevent them altogether.

During 1988-89, a hospital bed buy-out program is being implemented and the program will become permanent in the budget year. Under the program, the counties of San Mateo, Santa Cruz, Solano, Sonoma and Kern will receive increased General Fund allocations for community mental health programs in return for reducing their use of state hospital beds. Through formal proposals, the counties were able to demonstrate that by using the redirected monies for local programs, they would succeed in reducing their need to hospitalize mentally disturbed individuals. As a result, 31 state hospital beds will be eliminated, and nearly \$2 million will be redirected to specialized county efforts.

While most categories of state hospital patients have remained approximately constant in size, the number of inmates and parolees from the Department of Corrections served by the Department of Mental Health programs continues to grow. Beginning in 1988-89, inmates with severe mental illness are being admitted into a 150-bed psychiatric hospital at the Correctional Medical Facility in Vacaville. Another 60 outpatient beds are provided in the same facility for less severely disturbed inmates. The Department is operating the hospital under a \$12.6 million contract with the Department of Corrections, an amount that will grow to \$14 million in the budget year with the addition of 13.4 new di-

etary, pharmacy and administrative staff. Additionally, the mentally disordered offender program, under which inmates must accept mental health treatment as a condition of parole, will grow by 43.7 percent in 1989-90 at an increased cost of \$2.3 million. Both of these programs are designed to reduce recidivism and enhance public safety by providing needed mental health treatment to mentally ill offenders.

One of the major achievements of the Governor's Mental Health Initiative has been the renovation and improvement of the state's mental hospitals. The estimated total cost of this endeavor is \$180 million. More than \$131 million has been committed to this effort since 1984-85, with \$17.5 million of the total to be appropriated in 1989-90 from the Unallocated Account, Cigarette and Tobacco Products Surtax Fund. The projects scheduled for the budget year continue to emphasize code compliance with fire and life safety requirements, environmental improvements and security enhancements. Specific recommendations include:

- The final phases of construction funding for client living space remodeling at Atascadero and Metropolitan State Hospitals.
- Planning funds for the final phases of remodeling at Patton and Napa State Hospitals.
- Preliminary planning for a multi-purpose addition at Atascadero which is necessary to meet the programming requirements for the Mentally Disordered Offender Program.
- Various other projects for code compliance and program enhancements including two major projects and seven minor projects statewide.

Department of Rehabilitation

The Department of Rehabilitation is the principal state agency that assists people with disabilities reach social and economic independence. During 1989-90, more than 150,000 individuals with disabilities

will receive services either directly or indirectly from the Department. The Department will provide services to these individuals with its 1989-90 budget of \$246.8 million and 1,863 personnel years.

Vocational Rehabilitation. The Department of Rehabilitation is responsible for implementation of the Federal Vocational Rehabilitation Act. This Act requires that qualified disabled persons be provided timely services to enable them to enter the labor market. The costs of providing vocational rehabilitation services is shared by the federal and state government, with the federal government funding 80 percent of the cost and the state 20 percent. The 1989-90 Budget proposes \$158.9 million for vocational rehabilitation services, or an increase of 5.9 percent over 1988-89. Significant budget adjustments include an increase of \$6 million to reflect the increase of federal funds which will be made available during federal fiscal year 1989.

Statewide Computer Assisted Case Service System. According to the California Disability Survey, there are over one million clients eligible for services and 342,000 are actively seeking employment. Since 1982-83, in order to improve the availability and timeliness of services, the Department of Rehabilitation has reduced paperwork and streamlined manual procedures. These efforts have allowed the Department to increase rehabilitation plans by 37 percent and successful rehabilitations by 68 percent. The Department estimates that an additional 210 staff persons would be required to meet the demands of the number of disabled persons expected to seek employment through 1994. In an attempt to address these increasing service needs within its existing resources, the Department of Rehabilitation has identified 13 separate manual functions that would reduce task times if automated. Automation of these functions would allow the Department to meet the anticipated demands for client services through 1994 without staff augmentations.

"To alleviate the hardships on individuals and stabilize the economy, the budget provides \$2 billion for Unemployment Insurance benefits and \$1.6 billion for Disability Insurance benefits, thus providing monetary relief to individuals who suffer periods of unemployment, or non-occupational injury, illness or pregnancy."

The Department of Rehabilitation, beginning in 1988-89, began the implementation of an automated case service office management system. The 1989-90 budget proposes continuation of this project at a cost of \$5.7 million. This system will allow staff to handle greater workloads, improve client services and serve more clients.

Business Enterprise Program. In addition to the basic VR program, the Department's Business Enterprise Program provides training and employment for legally blind persons in the management of food service and vending facilities on public and private properties throughout the state. These facilities provide business opportunities for the blind vendor, employment for individuals working in these facilities, and make a significant contribution to the local economy. There are approximately 285 facilities in operation with gross sales of \$49 million and a net profit of \$8.5 million to the blind vendors. The 1989-90 Budget includes \$6.8 million for this program, an increase of 61 percent since 1982-83.

Habilitation Services. The Department of Rehabilitation's Habilitation Services Program serves developmentally disabled clients who are not ready for the traditional vocational rehabilitation program or for competitive employment. The purpose of the habilitation program is to help clients achieve their highest level of vocational functioning. This program purchases services for these clients from work activity programs, sheltered workshops and supported employment programs. Since the inception of this program in 1980-81, this program has grown from a budget of \$25.7 million serving an average caseload of 8,846 to a proposed level of \$78 million in 1989-90 serving an average caseload of 17,869.

Employment Development Department

The Employment Development Department provides a labor exchange for job seekers and employers, assists disadvantaged persons to be-

come self-sufficient, aids unemployed and disabled workers by maintaining benefit payment programs based on insurance principles; and collects payroll taxes to support state activities and benefit programs. The Governor's Budget proposes \$4.5 billion and 9,985 personnel years in 1989-90 to accomplish these programs.

Unemployment and Disability Insurance. To alleviate the hardships on individuals and stabilize the economy, the budget provides \$2 billion for Unemployment Insurance benefits and \$1.6 billion for Disability Insurance benefits, thus providing monetary relief to individuals who suffer periods of unemployment, or non-occupational injury, illness or pregnancy. The Department expects to place 363,000 individuals in jobs, enroll 203,000 individuals in the Job Training Partnership Act and Employment Training Panel programs and collect approximately \$14.0 billion in taxes.

Job Match Program. The proposed budget supports the Department's continuing commitment to automation technology to significantly improve the quality of services provided as well as the efficiency of operations. During 1989-90, the Department will begin statewide implementation of its newly developed automated Job Match Program which will improve services to both job seekers and employers. Under the new system, job seekers' qualifications will be automatically matched against employer job opportunity requirements. As a result, job seekers will be provided significantly increased opportunities for employment, and employer job opportunities will be exposed to greatly increased numbers of qualified job seekers. In addition, the integration of this program with the Department's newly automated unemployment insurance system will provide the Department's clients with a truly coordinated one-stop shopping service delivery system that will significantly reduce the need for repeated visits to the local Department field offices.

Youth Employment Opportunity Program. The Department is proposing a new \$1 million Youth Employment Opportunity Program to provide employment training to youth who are at-risk (socially, educationally or economically disadvantaged). This new program will augment the other successful Job Services youth programs, such as Innovative Military Projects and Career Training (IMPACT) and Better Utilization of Individual Lifestyle Development (BUILD), that address the serious and persistent youth employment problems.

Department of Aging

The Department of Aging is the principal agency for the provision of services to the elderly. As such, it provides a variety of services to nearly four million older Californians through the Area Agencies on Aging (AAA's). The Department contracts with the 33 AAA's located throughout the state in administering the Older American Act programs which are supported by state and federal funds. These programs include local social and nutrition services, senior employment programs, long-term care services to the elderly and functionally impaired adults, and related state and local administrative services and staff training. In addition, since the enactment of the Governor's Senior Initiative in 1984, the Department has assumed the lead role in constructing a system of community-based long-term care programs designed to assist the elderly to live independently and to avoid their premature institutionalization. The programs within this system include the Multipurpose Senior Services Program, Linkages, Adult Day Health Care, and Alzheimer's Day Care Resource Centers. The Governor's Budget proposes a funding level of \$134.3 million and 155 personnel years for 1989-90.

Alzheimer Day Care Resource Centers. Legislation in 1984 authorized the California Department of Aging to establish the Alzheimer Day Care Resource Centers to provide specialized programs for patients suffering from Alzheimer's

Disease. In 1987–88 each of the 16 centers received a \$50,000 General Fund allocation for their support of the program. Further legislation in 1988 appropriated \$750,000 to augment the existing 16 centers and to increase the number from 16 to 26. This will increase each center's allocation from \$50,000 to \$60,000. In addition, this will serve approximately 625 new clients and represents a 66.5 percent increase in funding over the 1987–88 fiscal year and a 345 percent increase since 1984–85.

Nutrition Programs. The Department provides state and federal Older Americans Act funding to local AAA's to support the senior nutrition programs. The purpose of the nutrition programs is to provide low-cost, nutritionally sound meals to the elderly in either a social setting at congregate nutrition centers or delivered to the homebound. During 1987–88, 12.9 million congregate meals were served at 1,063 sites to 208,437 seniors and 7.1 million home delivered meals were served to 51,325 eligible seniors. The Governor's Budget proposes \$64.5 million to support the Department's nutrition programs (\$47.2 million for Congregate Nutrition and \$17.3 million for Home Delivered Nutrition).

Long-Term Care Ombudsman Program. The Office of the State Long-Term Care Ombudsman within the Department of Aging is mandated to provide investigation and complaint resolution services to all residents in long-term care facilities. The Ombudsman Program is proposed to be funded at \$3.3 million and 9 personnel years which will support 35 local Ombudsman programs with 165 paid staff and approximately 800 volunteers. These staff are responsible for meeting the long-term care reporting requirements related to adult and dependent abuse investigations. As a result of this requirement, the Department responds to approximately 40,000 complaints on an annual basis.

Multipurpose Senior Services Program. The Multipurpose Senior Services Program (MSSP) has

operated under the Home and Community based Waiver authority of Title XIX of the Social Security Act since July, 1973, and provides comprehensive case management services to elderly clients to prevent their premature institutionalization. These case management services include care assessment, planning, arrangement and monitoring of services for MSSP clients. Currently, there are 22 MSSP sites which serve 6,000 clients statewide. Legislation enacted in 1988 extended the MSSP's statutory sunset date by one year (from June 30, 1989 to June 30, 1990) to correspond with the federal waiver service provision date. As such, the Governor's Budget proposes \$22 million (\$11.1 million General Fund and \$10.9 million Reimbursements) and 12 personnel years for support of the MSSP in a continuing effort to provide long-term care services for the elderly.

Long-Term Care

California provides a wide-range of publicly funded, long-term care services. Welfare and Institutions Code Section 9390.1 defines "long-term care" as ". . . a coordinated continuum of preventative, diagnostic, therapeutic, rehabilitative, supportive and maintenance services that address the health, social and personal needs of individuals who have restricted self-care capabilities."

Long-term care services consist of two components: institutional care (for example, nursing home care) and community-based services. Community-based services include residential care facilities and services which assist individuals to remain in their home instead of being placed in an institution. (Residential care facilities are not classified as "institutional care" in state law. Their level of medical care and funding arrangements differ significantly from institutional care facilities.)

Long-term care services are provided by several departments not only to elderly people, but also to younger, chronically ill, developmentally, mentally or physically disabled people. These agencies include the Department of Health

" . . . since the enactment of the Governor's Senior Initiative in 1984, the Department has assumed the lead role in constructing a system of community-based long-term care programs designed to assist the elderly to live independently and to avoid their premature institutionalization."

Services, Mental Health, Developmental Services, Social Services and the California Department of Aging.

The information provided in Table 6-7 summarizes total expenditures and total recipients served for 1987-88, 1988-89 and proposed for

fiscal year 1989-90. This display identifies the services provided, the department responsible for administration and the number of persons receiving services.

Table 6-7

**Long-term Care Services
Total Funding and Clients**

**(Dollars in Millions)
(Clients in Thousands)**

Department	1987-88		1988-89		Percent Change of Total \$	1989-90		Percent Change of Total \$
	Total \$	Clients	Total \$	Clients		Total \$	Clients	
AGING								
Adult Day Health Care....	\$12.9	3.0	\$15.1	3.5	17.1	\$17.1	4.0	13.2
Alzheimer's Day Care Centers.....	0.9	0.7	1.7	1.1	88.9	1.8	1.5	5.9
Linkages.....	4.3	3.8	4.3	4.1	-	4.3	4.1	-
Multipurpose Senior Ser- vices Program	22.2	8.8	22.3	8.9	0.5	22.0	8.9	-1.3
Transportation.....	6.7	28.5	6.7	28.5	-	6.7	28.5	-
In-Home Services	7.6	45.3	7.6	45.3	-	7.6	45.3	-
Home Delivered Meals ...	33.0	51.3	29.4	51.3	-10.9	29.5	51.3	0.3
Congregate Nutrition.....	68.3	208.4	73.9	208.4	8.2	73.9	208.4	-
Case Management.....	3.6	14.4	3.6	14.4	-	3.6	14.4	-
Information & Referral....	7.1	460.9	7.1	460.9	-	7.1	460.9	-
Other ^{1,2}	6.4	107.0	7.4	123.9	15.6	7.6	147.0	2.7
Total Expenditures	\$173.0	-	\$179.1	-	3.5	\$181.2	-	1.2
DEVELOPMENTAL SER- VICES								
Regional Centers.....	\$412.2	81.5	\$473.0	87.3	14.8	\$524.3	93.0	10.8
Operations.....	(119.7)	-	(133.6)	-	(11.6)	(152.0)	-	(13.8)
Purchase of Services..	(292.5)	-	(339.4)	-	(16.0)	(372.3)	-	(9.7)
State Developmental Centers.....	451.4	6.8	449.0	6.7	-0.5	471.7	6.6	5.1
Community Development ⁴ ..	4.1	-	11.3	-	175.6	10.9	-	-3.5
Total Expenditures	\$867.7	-	\$933.3	-	7.6	\$1,006.9	-	7.9
HEALTH SERVICES								
Alzheimer's Disease Centers.....	\$2.3	0.5	\$3.6	0.5	56.5	\$3.6	0.8	-
Long-Term Care (Skilled Nursing & Intermedi- ate Care Facilities)	1,089.0	65.2	1,155.1	65.4	6.1	1,160.3	66.8	0.5
Total Expenditures	\$1,091.3	-	\$1,158.7	-	6.2	\$1,163.9	-	0.4
REHABILITATION								
Work Activity Program....	\$57.7	13.6	\$59.1	13.7	2.4	\$59.3	13.6	0.3
Supported Employment Program.....	6.9	2.0	14.8	4.1	114.5	18.2	4.3	23.0
Independent Living Cen- ters	5.8	-	5.8	-	-	5.8	-	-
Total Expenditures	\$70.4	-	\$79.7	-	13.2	\$83.3	-	4.5
SOCIAL SERVICES								
Non-Medical Board and Care	\$290.4	65.6	\$314.3	69.9	8.2	\$329.1	73.0	4.7
Out-of-Home Care Adults	6.4	15.3	7.1	14.8	10.9	7.5	15.5	5.6
Special Adult Programs..	4.4	0.8	5.4	1.1	22.7	6.0	1.2	11.1
In-Home Supportive Ser- vices	505.0	127.6	615.2	134.0	21.8	621.6	144.0	1.0
County Services Block Grant.....	27.8	75.0	27.8	77.5	-	27.9	80.9	0.4
Total Expenditures	\$834.0	-	\$969.8	-	16.3	\$992.1	-	2.3
MENTAL HEALTH ³								
State Hospitals								
Penal Code and Judi- cially Committed.....	\$29.1	0.9	\$30.8	0.9	5.8	\$33.5	0.9	8.8

Table 6-7—Continued

**Long-term Care Services
Total Funding and Clients**

**(Dollars in Millions)
(Clients in Thousands)**

<i>Department</i>	<i>1987-88</i>		<i>1988-89</i>		<i>Percent Change of Total \$</i>	<i>1989-90</i>		<i>Percent Change of Total \$</i>
	<i>Total \$</i>	<i>Clients</i>	<i>Total \$</i>	<i>Clients</i>		<i>Total \$</i>	<i>Clients</i>	
Lanterman-Petris- Short.....	55.4	1.4	56.5	1.4	2.0	61.5	1.4	8.8
Other Services.....	6.9	0.3	10.0	0.4	44.9	11.2	0.4	12.0
Community Residential Treatment ⁴	1.0	—	1.0	—	—	1.0	—	—
Community Services—Other ⁴	32.0	—	32.6	—	1.9	35.1	—	7.7
Residential Care Ser- vices.....	14.1	3.4	16.6	4.0	17.7	16.6	4.0	—
Institutions for Mental Disease.....	50.6	3.0	65.8	3.4	30.0	72.5	3.6	10.2
Brain Damaged Adults ⁴	3.2	—	5.3	—	65.6	5.3	—	—
Total Expenditures.....	<u>\$192.3</u>	<u>—</u>	<u>\$218.6</u>	<u>—</u>	<u>13.7</u>	<u>\$236.7</u>	<u>—</u>	<u>8.3</u>
TOTAL EXPENDITURES ALL PROGRAMS.....	\$3,228.7	—	\$3,539.2	—	9.6	\$3,664.1	—	3.5

¹ Clients displayed may be duplicated unless otherwise noted.

² Includes Health Insurance Counseling and Advocacy, Senior Companion, Respite and Ombudsman.

³ Does not include county match funds.

⁴ Specific client numbers are unable to be captured.

Immigration Reform and Control Act of 1986

In November 1986, the federal government enacted the Immigration Reform and Control Act. The Act allows certain persons illegally residing in the United States to apply for legal residency status if they otherwise qualify as legal residents under Immigration and Naturalization Service (INS) regulations. Eligible individuals include those who have been in the United States since prior to January 1, 1982 (pre-82s) or have been engaged in specific types of agricultural work for at least 90 working days prior to May 1, 1986 (special agricultural workers). The INS began accepting applications on May 5, 1987. Pre-82 applicants had until May 4, 1988 to apply for temporary residency while special agricultural workers could apply through November 30, 1988.

Original estimates assumed that 900,000 persons would seek legalization in California. Based on the latest figures from INS, an estimated 1,315,614 persons have applied. Of these, 944,937 are pre-82s and 370,677 are special agricultural workers. Newly legalized persons represent approximately 4.5 percent of California's population. More than 55 percent of the national applicants for legalization reside in California.

Conversion to Permanent Residency Status. Those newly legalized persons who are pre-82s must submit a new application for lawful permanent residency status. These applications must be submitted within a one-year period beginning the 19th month after the applicants are granted temporary residency. This means that the 944,937 pre-82 applicants must submit new applications to INS between November 1988 and November 1990.

Specified criteria must be met by these newly legalized persons before they can convert to permanent residency. One of the most important criteria is that each person must demonstrate basic proficiency in English, history and government of the United States. According to INS

regulations, this requirement can be met by showing satisfactory progress towards such knowledge by attending English-as-a-Second Language and civics classes for at least 40 instructional hours of an approved 60-hour course. Several categories of newly legalized persons are exempted from this requirement, primarily children under 16, adults over 65, adults over 50 who have been in the country for 20 years and persons who have completed one year of formal schooling in the United States or have a GED or high school diploma.

Because of this requirement, 1989-90 is a critical year for providing educational services so that persons may successfully convert to permanent residency status.

State Legalization Impact Assistance Grant (SLIAG) Funding. The federal government appropriated SLIAG funds to assist states and local governments with costs they may incur in providing public health, public assistance and education services to eligible persons. The amount available to states over the four-year allocation period (federal fiscal years 1988, 1989, 1990 and 1991) will be \$3.04 billion. The allocation to states is based on a formula taking into account population, impact and costs.

The initial estimate assumed California would receive \$1.735 billion over the allocation period. Based on the latest federal application, it is estimated that California will receive a total allocation of \$1.799 billion over the four-year period. This represents an increase of \$64 million over the original estimate.

Program Utilization. The Immigration Reform and Control Act expenditure plan presented in the 1988-89 Governor's Budget funded a core program of services. During budget negotiations with the Legislature, funding was redirected from the General Assistance program in order to provide funding for mental health services, In-Home Supportive Services and some housing programs.

“Newly legalized persons represent approximately 4.5 percent of California’s population. More than 55 percent of the national applicants for legalization reside in California.”

While payment of claims in 1987-88 and 1988-89 has been slower than anticipated, there are some patterns of utilization that are emerging. First, newly legalized persons are using cash assistance programs (i.e., general assistance, state AFDC and SSI/SSP) at a significantly lower rate than originally estimated. For example, SSI/SSP in 1989-90 was estimated at \$21.4 million in the 1988-89 expenditure plan and is currently estimated at less than \$3 million. It appears from these data that the newly legalized population is a working population, albeit perhaps in marginal jobs. It also appears that there may be a fear of being disqualified from legalization on public charge grounds if these programs are used.

Second, newly legalized persons do utilize medical assistance programs for indigent persons (e.g., primary care clinics, county indigent health care, etc.). Preliminary expenditure data from counties operating their own indigent health care programs indicate that these costs are twice

the level originally estimated. Part of the reason for this increase is, of course, that the population figures have increased. Another reason is that while these persons tend to be working, they probably do not have health care insurance and are thus dependent on publicly-sponsored programs. Counties are also increasing their efforts to document and track medical services provided to newly legalized persons.

The third trend is that newly legalized persons are seeking adult education services in advance of the time when they must apply to INS for lawful permanent residency status. Initially, they also appear to be staying in English-as-a-Second Language and civics classes beyond the 40-hour minimum required by INS. Some newly legalized persons who do not need education services (e.g., special agricultural workers, pre-82s above the proficiency level) are also enrolling in SLIAG-funded adult education classes.

Five-Year Expenditure Plan. Based on the revised population es-

timates and utilization rates, a revised five-year expenditure plan is presented in Table 6-8.

The expenditure plan proposed in the 1988-89 Governor's Budget indicated that the first priority for revenue received above the \$1.735 billion would be to extend the length of the program beyond the 1991-92 fiscal year. However, given the increased pressure for funding in the English-as-a-Second Language and health care areas, the proposed revised expenditure plan allocates these additional resources during the four-and three quarters years of the program. Of the increase, an additional \$20 million has been added for adult education courses in 1988-89.

As indicated in the 1988-89 Budget, the highest priority for education funds is for those persons needing instruction in order to meet the INS Phase 2 requirements to convert to permanent residency. This premise is continued in the revised expenditure plan.

Table 6-8

**Immigration Reform and Control Act
Estimated 5-Year Expenditure Plan**

(Dollars in Thousands)

<i>Program</i>	<i>1987-88</i>	<i>1988-89</i>	<i>1989-90</i>	<i>1990-91</i>	<i>1991-92</i>	<i>CATEGORY TOTAL</i>
(A) Public Health						
TB/Leprosy Control	\$5,000	\$8,100	\$609	\$500	\$300	\$14,509
Sexually Transmitted Diseases	4,000	1,700	1,024	500	—	7,224
Laboratory Support	—	300	—	—	—	300
Immunizations	600	500	179	100	100	1,479
Perinatal Services	1,300	2,800	1,062	1,200	1,200	7,562
Family Planning	1,000	3,200	1,643	1,700	1,700	9,243
Child Health & Disability Prevention	700	—	—	—	—	700
Adolescent Family Life	200	500	999	1,095	1,095	3,889
IRCA Subvention	8,561	3,500	6,621	3,387	2,193	24,262
Public Health Administration	281	2,058	2,123	1,672	1,372	7,506
Subtotal	<u>\$21,642</u>	<u>\$22,658</u>	<u>\$14,260</u>	<u>\$10,154</u>	<u>\$7,960</u>	<u>\$76,674</u>
(B) Public Assistance						
General Assistance	\$100	\$1,131	\$4,670	\$5,695	\$5,695	\$17,291
Foster Care	—	2,545	2,657	2,285	2,072	9,559
AFDC-FG & U	50	513	2,063	5,135	5,240	13,001
SSI-SSP	150	1,479	2,944	3,727	3,105	11,405
Food Stamps	100	536	685	685	685	2,691
Housing	—	2,500	4,030	4,030	4,030	14,590
In-Home Supportive Services	—	30	209	218	227	684
Medi-Cal	6,300	22,555	46,536	56,930	61,675	193,996
Calif. Children's Services ...	600	1,555	2,484	2,484	2,484	9,607
Medically Indigent Services	68,400	130,556	238,866	238,866	238,866	915,554
County Medical Services	—	4,900	17,979	17,979	17,979	58,837
Primary Care Clinics	10,000	11,600	23,123	23,123	23,123	90,969
Mental Health	—	3,000	3,000	3,000	3,000	12,000
HCD Administration	—	314	329	329	329	1,301
DMH Administration	—	314	326	326	326	1,292
DSS Administration	211	1,050	866	866	866	3,859
DHS Administration	—	2,572	2,241	2,241	2,241	9,295
HWA Administration	—	1,381	1,286	—	—	2,667
Subtotal	<u>\$85,911</u>	<u>\$188,531</u>	<u>\$354,294</u>	<u>\$367,919</u>	<u>\$371,943</u>	<u>\$1,368,598</u>
(C) Education						
Adult Ed. (ESL & Civics)	\$30,000	\$100,000	\$180,000	\$20,000	\$10,000	\$340,000
K-12	4,200	2,800	1,400	—	—	8,400
SDE and CCC Administration	113	1,787	2,328	1,000	500	5,728
Subtotal	<u>\$34,313</u>	<u>\$104,587</u>	<u>\$183,728</u>	<u>\$21,000</u>	<u>\$10,500</u>	<u>\$354,128</u>
TOTAL	\$141,866	\$315,776	\$552,282	\$399,073	\$390,403	\$1,799,400



Despite severely restricted General Fund resources, the Governor's Budget reflects the Administration's continuing commitment to public safety programs for 1989-90. In addition to the criminal justice programs maintained in this budget, efforts to reduce crime and its impact on society through tougher laws and increased penalties will continue. This Governor's Budget provides for the expanded correctional programs needed to support the steadily increasing prison and parole populations which result from these efforts to protect the California public. Other public safety areas include expanded highway safety programs, support for both state and local law enforcement and criminal information programs, and the state's funding commitment to programs aimed at fighting drug abuse, drug trafficking and gang violence.

The Public Safety area, as many other areas of the budget, will receive only those increases absolutely necessary, and, consequently, will need to increase operating efficiencies and absorb inflation costs. In some departments it was necessary to reduce funding levels in order to comply with the fiscal requirements of Proposition 98, such as in the Department of the Youth Authority which received an approximate \$40 million reduction in local subventions.

The following expenditure programs are included in the 1989-90 Governor's Budget.

Department of Corrections

The Department of Corrections is charged with the responsibility for the control, care and treatment of convicted felons and civilly committed nonfelon narcotic addicts.

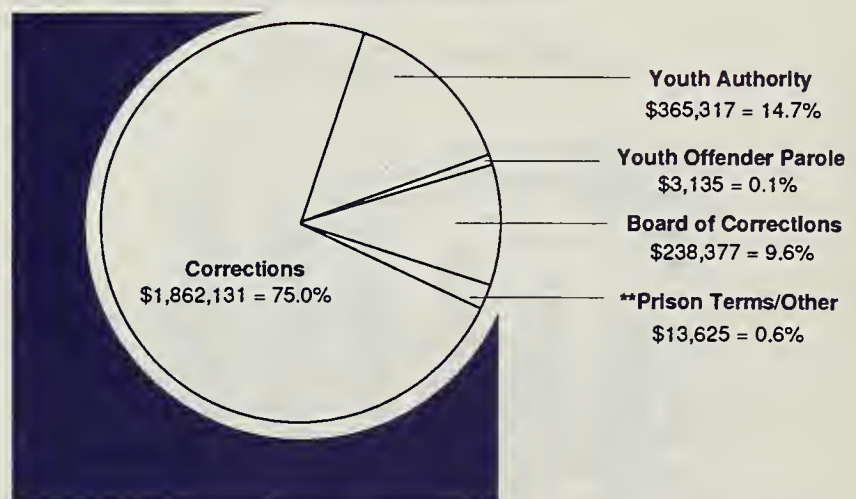
The Department incarcerates California's most serious criminal offenders in a secure, safe and disciplined institutional setting, provides work and training to the inmate pop-

ulation, and supervises adult offenders on parole. While the purpose and functions of the Department have not changed during the last six years, the Department has experienced phenomenal growth and expansion.

In January 1983, the Department housed less than 35,000 inmates in 12 institutions with a design bed capacity of about 25,500. By January 1989, California's prison population has grown to more than 75,000. The

Figure 7 - 1

Youth and Adult Correctional Agency Proposed 1989-90 Expenditures* All Funds (Dollars in Thousands)



*Includes State Operations and Local Assistance costs only.

**Includes Agency Secretary and Presley Institute.

Department now operates 18 institutions, 8 reception centers, 38 camps and 43 community correctional facilities with a total design capacity of about 47,000. In spite of the record levels of inmates and the fact that California prisons are operating at more than 160 percent of their designed capacity, the rates for violent incidents and escapes have decreased for the third year in a row. During the same six-year period, the parole population climbed at an even faster rate, growing from less than 15,000 to more than 50,000.

The California Department of Corrections met the challenges of rapid expansion by overseeing a massive prison construction program, increasing inmate employment, improving inmate health care, providing community service, launching innovative new programs, and by hiring and training thousands of new staff.

In order to meet the rapidly expanding inmate and parole population's security and support needs, the Governor's Budget provides nearly \$1.9 billion and 25,500 personnel years for 1989-90. Funds proposed in 1989-90 include the following major elements:

Institutions Program. The inmate population will increase by 7,139 and 6,710 in 1988-89 and 1989-90, respectively, reaching a total of 85,970 by June 30, 1990. In order to provide custody, security and support services for this increased institution population, the Governor's Budget proposes to add 963 personnel years at a cost of \$67.5 million for the budget year.

Parole Program. The parole population will increase by 9,319 and 8,275 in 1988-89 and 1989-90, respectively, reaching a total of 63,800 by June 30, 1990. Supervision of this population will require an additional 230 personnel years at a cost of \$15.1 million for the budget year.

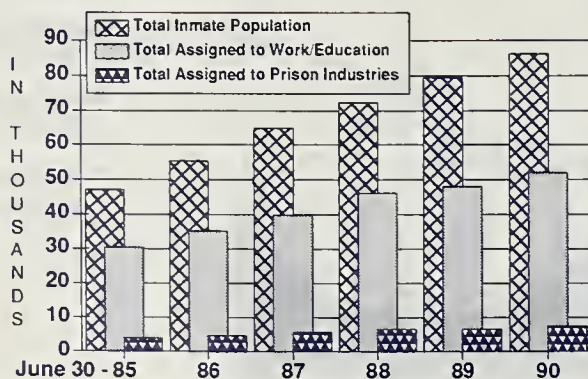
Inmate Employment/Education. The Department strives to provide meaningful employment and training to inmates to help ensure a positive transition when they re-enter society. At the end of 1983, 54 percent of the inmate population was assigned to a job or training program. By late 1988, the percent assigned had increased to 66 percent. This is an increase of more than 26,000 inmate jobs and a major step toward the goal of full inmate employment. Currently, about 9 percent of all inmates are employed by

the Prison Industry Authority. The Prison Industry Authority is a separate agency that works closely with the Department of Corrections and manufactures clothing, furniture, baked goods and other goods and services used in prison. In addition, they sell their products to other government agencies to provide ongoing funding for the program. Prison Industries save taxpayers at least \$30 million annually and as more industries are added, that number will increase. By the end of 1989, savings are projected to reach \$60 million per year. In addition to working for Prison Industries, inmates provide support services within the institution, attend academic or vocational education classes, and serve on conservation camp or community service work crews. Overall, inmate work and training programs have kept pace with the increasing population, maintaining more than 60 percent employment as the number of working inmates will increase from 30,000 in 1984-85 to 51,000 by 1989-90. Figure 7-2 displays the growth in prison employment and education programs.

Inmate Health Care. This budget also supports the Department's continuing efforts to expand and improve medical and psychiatric care for both the inmate and parole populations. These efforts include the staffing and facility renovations needed to license the Department's three prison hospitals as acute care hospitals and to meet the medical and housing needs of those inmates infected with the AIDS virus. The 1989-90 Budget also provides a total of \$13.9 million in Proposition 99 funds to support: 83 personnel years and \$3.1 million to operate a wide-range of outpatient psychiatric care programs for inmates at the Vacaville and San Luis Obispo institutions, 15 personnel years and \$947,000 for increased outpatient treatment for parolees, \$3.9 million for increased costs required for the Department of Mental Health to operate the acute psychiatric care programs at Vacaville, and \$6 million for increased contract medical services and for additional physician,

Figure 7-2

Department of Corrections Inmate Employment/Education



nursing and other medical staff at various institutions.

Community Service. The ultimate community service that the prison system provides is incarcerating convicted criminals. But beyond that primary function, the Department provides essential services to local communities which they otherwise could not afford. Conservation camp crews are on alert during the fire season to battle forest fires that frequently rage through California's wilderness areas. In the off-season, inmate work crews plant trees, construct highway signs, build fish habitats, clean and maintain recreation areas, clear flood debris, upholster furniture for schools and hospitals, record tapes for the blind, build toys and work on other special community projects. Each year inmates contribute about seven million hours of community service work.

Innovative Programs. The Department has developed innovative programs to help reduce prison overcrowding and keep parolees from returning to prison. One approach is to increase the number of community-based correctional facilities. These facilities house nonviolent parole violators or soon-to-be-released inmates who are enrolled in a work reentry program. The Substance Abuse Revocation Diversion program provides intensive supervision of selected substance-abuser parolees. The program targets those who have reverted to drug use and who, without the program, are most likely to be returned to prison. The program includes frequent contacts with the parole agent, required employment and counseling, use of drug detoxification programs and narcotic blocking agents, strict curfews and electronic surveillance which the Department is using on a trial basis. Called "house arrest," electronic monitoring costs about half as much as prison confinement. Early statistics show that two-thirds of the participating parolees are reentering the community successfully.

Staff Recruitment and Training. During fiscal year 1982-83, the De-

partment employed about 10,000 people. By fiscal year 1988-89, there were more than 23,000 employees in the Department of Corrections. The numbers alone are impressive and to hire and train more than 13,000 new employees is a vast effort. In the past year alone, the Department selected only 2,100 people from more than 46,000 applicants to attend the training academy. At the same time, weekly focused recruitment workshops throughout the state have allowed the Department to meet its fiscal year 1987-88 goal for representation of Hispanics and women.

Prison Construction

Tougher laws and more severe penalties have resulted in a significant increase in prison population. Prior to this Administration taking office, no new prisons had been built in more than 20 years. The result was an overcrowding problem that showed no signs of abating.

This Administration has launched a massive prison construction program. Administered by the Department of Corrections, the program has added more than 22,000 new prison beds in six years. By using prototype building plans, the Department has saved money while streamlining the design process. These prototyped plans can be refined and adapted, as needed, to each new site.

These efforts have paid off. The Department has completed 14 major prison projects, including six all-new facilities and major expansions at eight prisons. In addition, the Department has built 14 new conservation camps and numerous modular additions at various existing institutions. (Refer to Table 7-1 for a listing of all new prison bed projects.)

Despite this massive effort, prison population continues to out pace construction. Figure 7-3 illustrates this disparity. To meet its continuing needs, the Department is constructing a 2,280-bed maximum security prison in Del Norte County (Pelican Bay), a 2,000-bed women's prison in Madera County and 80 camp beds. In addition, plans are under-

*"This
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six years."*

way for another 10,820 new beds, including two prisons in Los Angeles County, one in Imperial County and two in Kern County. When these projects are complete, Corrections will have added almost 36,000 new prison beds and 1,270 new camp beds since 1983.

Additional prisons, beyond those currently authorized, will be necessary to meet projected population for the foreseeable future. Pursuant to Chapter 145, Statutes of 1987, the Department is evaluating sites near Coalinga in Fresno County. Pursuant to Chapter 1479, Statutes of 1988, the Department is also initiating site studies for other new prisons and medical/psychiatric facilities.

Construction Financing. Financing the cost of new prison construction has been provided primarily through the 1981, 1984, 1986 and 1988 Prison Construction Bond Acts, totaling \$2 billion. In addition, the Legislature has authorized financing the construction of prisons through State Public Works Board issued lease-purchase debt financing methods. Within the \$1.2 billion limit established by the Legislature, a total of \$932.5 million in revenue bonds has been issued to finance the acquisition, construction and underwriting of prison facilities. A portion of the \$1.2 billion authority has been used as security to obtain interim financing for the facility for women in Madera County. Through a combination of General Fund appropriations, general obligation bonds and lease-purchase authorizations, sufficient funding is in place to complete all of the projects currently authorized, except for the prison in Imperial County.

Existing Facility Renovation. Until additional facilities are completed, the current prison population expansion puts a severe strain on existing institutions. The accelerated deterioration associated with prolonged overcrowding, combined with court decisions which specify conditions under which inmates may be housed, requires major capital outlay improvements to several existing facilities.

The Governor's Budget proposes \$21.1 million from the 1988 Prison Construction Fund to upgrade the state's existing prison facilities which includes:

- Improvement of security features to accommodate the increased number and more aggressive inmate population.
- Utility rehabilitation and expansion projects.
- Numerous projects to rehabilitate, replace and/or expand inmate programming and support services space.

Department of the Youth Authority

The primary objectives of the Department of the Youth Authority are to protect society from criminal and delinquent behavior by young people and to provide training and treatment directed toward helping these youths become productive citizens. The Department also provides funding to local governments under the Criminal Justice System Subvention Program. Due to the limited General Fund resources as a result of Proposition 98, the budget proposes a reduction of \$36.9 million in funding for discretionary grants under the County Justice System Subvention Program. In addition, the \$30.4 million required for the remaining local juvenile justice programs, which are required pursuant to Chapter 1071, Statutes of 1976, will be funded from the Restitution Fund in 1989-90 rather than the General Fund.

After these adjustments, the Governor's Budget proposes a total of \$365.3 million and 4,962 personnel years for operation of the Department, which consists of 10 institutions and eight conservation camps.

Youth Authority institutions are projected to house 9,322 wards by June 30, 1989. This is 194 less than estimated last year. This decrease results from a shortening of the average length of stay of the wards in the institutions and a corresponding increase in the number of wards on parole. By June 30, 1990 the institu-

tion population is estimated to be 9,580 wards, growing to 9,842 in 1992-93.

In order to meet the need for additional institutional bed space, the Department is planning new construction projects and has developed alternative programs that will reduce the need for new institutional beds.

Eleven new programs aimed at producing ward bed savings will have been implemented by the 1989-90 fiscal year. When fully implemented, these programs will save 1,177 institutional beds. These programs focus on preparing the wards for successful reintegration into the community as productive citizens. Public protection is further increased by providing early detection of problems and early intervention through parole violator services, intensive parole services, home restriction involving use of electronic monitoring devices, secure and structured community drug treatment, and ongoing job counseling programs.

Facility Construction. Construction of five, 100-bed living units is underway with two of these units scheduled for activation in the 1988-89 fiscal year along with 16 additional conservation camp beds (replacement of 4 existing older barracks with a 120-bed dormitory). The other three, 100-bed units are scheduled for completion in 1989-90. An additional 75 beds have been leased.

Groundbreaking for a new 600-bed satellite facility at the Northern California Youth Center in Stockton will occur in early 1989 with the lead staff beginning in the summer of 1990 and activation in October 1990.

For capital outlay, the Governor's Budget proposes a total of \$7.9 million from the 1988 Prison Construction Fund to complete the following:

- Acquisition and preliminary plans for the proposed 1,800-bed Southern California Youth Center in Kern County.
- Preliminary plans and working drawings for conversion of the laundry facility at the Northern

Table 7-1

New Prison Bed Construction Projects

<i>Major Projects</i>	<i>Design Bed Capacity</i>	<i>Construction Start</i>	<i>Initial Occupancy</i>
NEW FACILITIES—COMPLETED:			
CSP-Avenal.....	3,034	12/23/85	January 1987
Mule Creek State Prison.....	1,700	1/2/85	June 1987
Northern California Women's Facility.....	400	11/21/85	July 1987
Richard M. Donovan Correctional Facility at Rock Mountain.....	2,200	5/9/85	July 1987
CSP-Corcoran	2,924	9/8/86	February 1988
Chuckawalla Valley State Prison ^a	2,000	5/21/87	December 1988
Subtotal	12,258		
MAJOR EXPANSIONS—COMPLETED:			
California Men's Colony-West.....	900	1983	June 1984
California Medical Facility South	2,404	1/5/84	October 1984
Southern Maximum Security Complex.....	1,000	6/27/83	October 1985
Three 500-Bed Additions.....	1,500	11/26/85	August 1986
CSP-Sacramento County at Folsom	1,728	4/1/85	October 1986
California Institution for Women-Special Housing Unit.....	100	10/29/86	June 1987
Subtotal	7,632		
OTHER PROJECTS—COMPLETED:			
New Camps ^b	1,270	Various	June 1984
Modular Housing Units	1,000	N/A	June 1984
Subtotal	2,270		
OTHER NEW FACILITIES:			
Pelican Bay State Prison	2,280	3/23/87	April 1990
CSP-Madera County.....	2,000	10/6/88	October 1990
CSP-Kern County at Wasco	2,450	6/89	August 1990
CSP-Kern County at Delano	2,450	10/89	December 1990
CSP-Imperial County	2,200	11/89	February 1991
California Reception Center-Los Angeles ...	1,450	Pending ^c	Pending ^c
CSP-Northern Los Angeles County.....	2,200	Pending ^c	Pending ^c
Subtotal	15,030		
Grand Total.....	37,190		

^a Partially activated—to be completed in current year

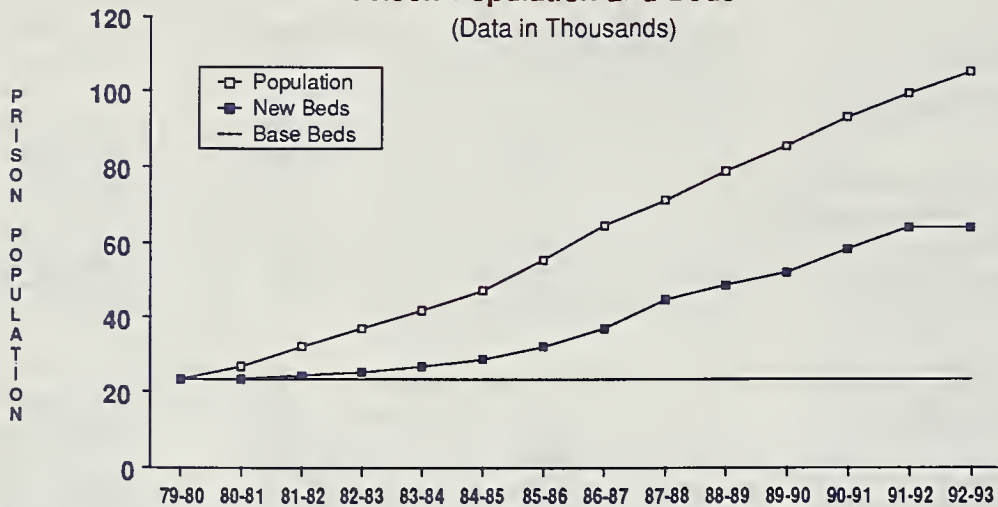
^b 14 camps are currently completed with 1,120 beds occupied, 80 more beds are under construction and 70 are in the design stage.

^c Schedules to be developed upon completion of the Environmental Impact Report

Figure 7 - 3

**Department of Corrections
Prison Population and Beds**

(Data in Thousands)



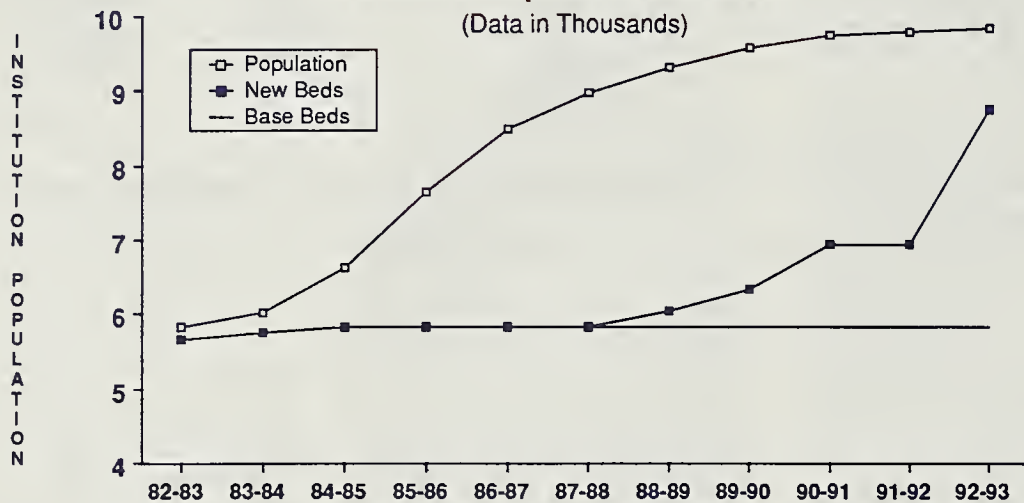
NOTE: "Beds" represent the institutional design capacity of authorized and proposed institutions and camps. Additional "overcrowding" bed space is provided through other means, such as:

- Addition of permanent beds in individual cells.
- Addition of temporary beds in gymnasiums, corridors, auditoriums and dormitories.
- Addition, through a Parole Division managed program, of Return-to-Custody beds obtained by contracts with local governments and private vendors. These beds are funded in the support budget.

Figure 7 - 4

**Department of the Youth Authority
Institution Population and Beds**

(Data in Thousands)



NOTE: "Beds" represent the institutional design capacity of authorized and proposed institutions and camps. Projected population is adjusted for bed savings from alternative programs.

California Youth Center for Free Venture Programs which will expand ward employment.

Preliminary plans and working drawings for establishment of a proposed centralized training center for youth counselors.

Construction of a commissary warehouse addition at El Paso de Robles and a new business services building at Chino.

32 minor projects statewide to enhance security, improve infrastructure and support services, and provide program enhancements to deal with current overcrowding pressures.

The Department's Population Management and Facilities Master Plan, published in November 1987, outlined the strategies for dealing with the increasing population through programmatic changes that are anticipated to reduce population pressures. These proposals, coupled with completion of the 600-bed facility at Stockton and the 1,800-bed facility in Kern County, are projected to reduce the Youth Authority's population to approximately 112 percent of design capacity by June 1993. Refer to Figure 7-4 for a comparison of population versus bed capacity.

Local Detention

Not unlike the state, local detention facilities are also under pressure to handle the increasing number of criminals requiring incarceration. The 1989-90 Budget provides \$238 million and 49 personnel years for the Board of Corrections, including an additional 8 personnel years for increased local project monitoring. The County Jail Construction Financing Program in the Board of Corrections was started in 1980 to provide General Fund money to counties for remodeling or construction of county jails. Following the General Fund appropriation, four bond acts totaling nearly \$1.5 billion have been passed for this purpose. More than \$400 million has been committed to counties through fiscal year 1987-88, \$188 million is estimated for disbursement during 1988-89 and \$221 million is pro-

jected for 1989-90. The Department of the Youth Authority will also allocate \$5 million in 1988-89 and \$10 million in 1989-90 for local juvenile facilities.

These funds will enable counties to increase local jail capacities by more than 28,300 beds and replace over 6,600 beds scheduled for closure due to fire and life safety deficiencies.

Priority is given by the Administration to the training of local personnel to insure the safety and welfare of officers and inmates. The Governor's Budget provides \$12.8 million in assistance to counties for training of local correctional and probation personnel.

California Highway Patrol

The California Highway Patrol (CHP) is the largest highway patrol in the United States and is recognized for its leadership on public safety issues. This Administration is firmly committed to maintaining this tradition of excellence to assure the safety of the motoring public and respond to their needs. The Governor's Budget demonstrates the Administration's continuing commitment by proposing a funding level of \$559 million and 8,592 personnel years for the CHP in 1989-90.

The basic responsibility of the CHP is to ensure the safe and efficient flow of traffic on the state's highway system. More than 98,000 miles of California's highways, about two-thirds of all roads in the state, are within the CHP's jurisdiction. In 1987, California drivers logged an impressive 162 billion miles of travel on CHP-patrolled roadways. Yet, the mileage death rate, which is the number of deaths occurring on the highway system for each 100 million miles that motorists travel, was only 2.12. The 1987 rate is lower than the national average and represents a significant drop from the 10-year high of 2.76 that occurred in 1980.

For traffic fatalities in general, 1988 proved to be a safer year than 1987. Through November 1988, recent statistics indicate traffic fatalities in CHP jurisdictions have decreased

"These funds will enable counties to increase local jail capacities by more than 28,300 beds and replace over 6,600 beds scheduled for closure due to fire and life safety deficiencies."

by 2.6 percent. More importantly, 81 fewer lives have been lost in traffic accidents compared to the previous year.

The CHP sustains a high level of safety through a variety of public education, traffic safety and special enforcement projects. These include ongoing road patrol efforts, aerial traffic services, special patrols to apprehend persons driving under the influence of drugs or alcohol, a comprehensive commercial vehicle enforcement program, an award-winning motorcyclist safety program, and a leadership role in state and national safety belt compliance programs.

The Governor's Budget proposes a variety of ongoing programs and budget augmentations to enhance public safety and service. These are highlighted below.

Field Strength. The Governor's Budget proposes an augmentation of \$10.5 million and 150 traffic officers for 1989-90. With this augmentation, the number of CHP traffic officers will have increased by 901 since 1982-83. These additional officers will provide an enhanced level of service to the public, including traffic congestion relief, aid to disabled motorists and the apprehension of dangerous drunk and

drugged drivers. In 1989-90, the CHP estimates its traffic officers will work 3,368,000 road patrol hours while driving over 114 million vehicle miles. Figure 7-5 displays the changes in the number of CHP traffic officers since 1982-83.

Flight Operations. The CHP's use of aircraft, both airplanes and helicopters, has been an asset to public safety. In 1989-90, \$12.5 million and 77 personnel years are proposed for the flight operations program, which consists of 13 airplanes and 5 helicopters. CHP patrol coverage is extended by the deployment of these aircraft on major and auxiliary highways which carry moderate traffic flows but receive minimal ground coverage. In addition, aircraft support is provided to other law enforcement agencies to facilitate law enforcement activities statewide.

The CHP helicopters are used primarily for search and rescue operations and emergency medical services, while the CHP airplanes are used primarily for patrol and speed enforcement.

Telecommunications. The CHP's telecommunications system is one of the largest and most complex statewide systems in the United States, handling more than eight

million calls each year. In recent years, increased demand for service to the public has been a consequence of the expansion of roadside call boxes and mobile cellular phones.

To reduce response time to requests for assistance and enhance communications capabilities with its officers, the CHP has initiated the use of computer-aided dispatch systems in several of its communications centers. To maintain the effectiveness of the CHP telecommunications system, the Governor's Budget proposes an additional \$11.3 million and 30 personnel years for telecommunications equipment and services in 1989-90.

Commercial Vehicle Enforcement. To protect the public from the unsafe operation of commercial vehicles (primarily trucks and semi-trailers), the CHP operates a combination of scale and inspection facilities, as well as mobile road enforcement patrol units on highways without fixed scale or inspection facilities, to inspect commercial vehicles for mechanical defects and failure to comply with weight, load, size, tie-down, registration and driver qualification requirements. The CHP frequently uses strike teams to concentrate patrol efforts at locations with heavy truck traffic and the teaming of CHP ground and air units to take enforcement actions against speeding trucks. The CHP also routinely visits motor carrier terminals to inspect drivers' records for violations of driving time, vehicle maintenance records for compliance, and vehicles for mechanical defects.

The Governor's Budget proposes \$40.8 million and 572 personnel years for the commercial vehicle enforcement program in 1989-90. This level of funding includes an increase of \$5 million and 83 personnel years to implement Chapter 1586, Statutes of 1988, which requires the CHP to conduct biennial safety inspections of all commercial vehicle terminals, and to provide staffing for additional inspection facilities and mobile road enforcement patrol units.

Figure 7-5

Authorized CHP Traffic Officers
1982-83 to 1989-90



School Bus Inspections. The CHP annually inspects and certifies school buses and periodically inspects school bus maintenance facilities to ensure that the vehicles are properly maintained. The CHP also tests and certifies school bus drivers and investigates all school bus accidents. The Governor's Budget proposes \$4.6 million and 79 personnel years for this enforcement program in 1989-90.

Hazardous Material Enforcement. To protect the public from the unsafe transportation of hazardous materials, the CHP licenses and regulates transporters of such materials. The CHP inspects hazardous materials carrier terminals, vehicles, equipment, and loading and shipment procedures to reduce the likelihood or severity of an accident involving these materials. The CHP also will be establishing procedures for the regulation of inhalation hazards (e.g., toxic gases and vapors) transporters, including the designation of the routes in the state that may be used to transport such hazards. The Governor's Budget proposes \$5.3 million and 111 personnel years for these enforcement activities in 1989-90.

In addition, the illegal transporting and disposal of hazardous waste along state highways, freeways and county roads continues to increase daily. The CHP is increasing its efforts to combat this problem by participating in regional and county task force strike teams established to investigate these public health hazards and aid in the criminal prosecution of responsible parties. The Governor's Budget proposes an increase of \$558,000 and 8 personnel years, to be allocated from the proposed traffic officer augmentation, for these tasks in 1989-90.

Drug and Alcohol Enforcement. In order to assure safety for the motoring public from persons driving under the influence (DUI) of drugs or alcohol, the CHP has implemented a number of innovative efforts to control the DUI driver. One of these efforts is the use of sobriety checkpoints on roads with high incidences of DUI-related accidents,

which was recently ruled to be constitutional by the United States Supreme Court. Since 1984, 320 sobriety checkpoints have been set up, resulting in extensive publicity and 2,056 arrests for DUI offenses. Over the last six years, the percentage of DUI-related traffic accidents within CHP jurisdiction has steadily decreased.

In 1986, the CHP implemented a pilot program to recover its costs of responding to DUI-related accidents. As a result, the CHP has billed more than 2,000 convicted DUI drivers and recovered over \$185,000. The CHP will expand this program on a statewide basis in the current year. It is projected that as much as \$800,000 could be recovered each year from convicted DUI drivers once the collection program is in full operation.

In 1987-88, the CHP investigated 23,777 accidents caused by alcohol or drug intoxication and made 138,333 DUI-related arrests. In addition, the CHP made 11,310 arrests for drug-related offenses, such as possession and sales.

A substantial portion of the illegal drugs imported or produced in this state are transported along state highways where the CHP has jurisdiction. In response to requests from the Department of Justice and local law enforcement agencies, the CHP is participating in drug task forces established throughout the state to combat the proliferation of drug trafficking. The Department of Justice reported that in 1987-88, 2,953 arrests were made by the combined efforts of the task forces. Of those arrests, 2,266 were for major felony offenses primarily connected with the production, transportation or sale of illegal drugs. The total value of assets seized equaled \$6.2 million. A total of 6 pounds of heroin, 1,025 pounds of cocaine, and 323 pounds of methamphetamines was confiscated.

The Governor's Budget proposes \$500,000 and 9 personnel years to increase the CHP's statewide participation in the drug task forces. The Governor's Budget also proposes allocating an additional \$888,000

“ . . . recent statistics indicate traffic fatalities in CHP jurisdictions have decreased by 2.6 percent . . . 81 fewer lives have been lost in traffic accidents compared to the previous year.”

and 16 personnel years from the proposed traffic officer augmentation for this purpose.

Vehicle Theft. Vehicle theft continues to be a major problem in California. In 1987, 231,452 vehicles—with a total value of over \$800 million—were stolen in the state. To protect the public from economic losses resulting from vehicle theft, the CHP has assigned officers full time to investigate and prosecute vehicle thefts and vehicle theft rings. The CHP's efforts to reduce the state's vehicle theft rate include statewide coordination of investigations with other law enforcement agencies; development, analysis and dissemination of vehicle theft information; and selective inspections of vehicles and business establishments. Although the number of thefts has increased nearly 40 percent since 1982, the number of arrests has increased over 54 percent during the same time period. Also, the percentage of vehicles recovered has risen since 1982, from 84 percent to 89 percent, meaning that nearly nine of every ten vehicles stolen today in California will be recovered. The Governor's Budget proposes \$11.6 million and 157 personnel years to address the state's vehicle theft problem.

Department of Justice

The constitutional office of the Attorney General heads the Department of Justice and is responsible for ensuring that California's laws are uniformly interpreted and enforced. The Attorney General represents the state in civil and criminal proceedings, and represents the people in all matters before the Appellate and Supreme Courts of California and the United States. As the state's chief law officer, the Attorney General represents the people in the enforcement of anti-trust, civil rights and environmental laws, investigates and prosecutes organized criminal activity and major fraud conducted in California and coordinates statewide narcotics enforcement efforts.

The Governor's proposed Budget for the Department of Justice totals

\$246.7 million and 3,596 personnel years, a 6.4 percent increase over 1988–89. Included are \$136.8 million for the Division of Law Enforcement, \$44.2 million for the Criminal Law program, \$38.9 million for the Civil Law program and \$21.3 million for the Public Rights program.

Division of Law Enforcement.

As a part of the overall strategy to balance the General Fund budget, a \$1 million reduction was made in the Division of Law Enforcement. This represents a 0.7 percent reduction to the program's total 1989–90 budget. Despite this, the Budget still proposes an increase of \$9.6 million and 85 personnel years for a total program of \$136.8 million to support essential law enforcement and criminal identification programs, as described below:

- An increase of \$474,000 and 13 personnel years to work backlogged crime lab cases resulting from increased law enforcement and prosecution efforts statewide.
- An increase of \$1.2 million and 36 personnel years to handle increased workload in criminal fingerprint cards and disposition document submissions from law enforcement agencies, prosecutors and the courts.
- An increase of \$422,000 and 9 personnel years to implement the Serious Habitual Offender Pilot Program enacted in 1988 to target repeat sex offenders for enhanced law enforcement efforts.
- \$24.6 million in continuing support for the Bureau of Narcotics Enforcement to coordinate and manage multi-jurisdictional narcotics enforcement task forces, multi-agency investigations, investigations of major narcotics conspiracies and intrastate multi-jurisdictional traffickers, and investigations of clandestine drug laboratories.
- An increase of \$6.6 million and 3 personnel years for the California Identification System (Cal-ID), described below.

California Identification System (Cal-ID). Cal-ID is one of the state's major crime solving tools.

Since 1985, the Department of Justice and local law enforcement have used the Cal-ID system in 23,000 cases and have identified suspects in more than 13,000 cases, including the identification of the "Night Stalker Killer." These cases include many violent crimes such as homicides, rapes, and robberies, which would not have been solved without Cal-ID. A total identification system, Cal-ID includes a name index, automated fingerprint processing systems using minutiae (fingerprint matching technology), an image system and a networking capability to serve local law enforcement agencies (the Cal-ID Remote Access Network). Through this system, law enforcement personnel are able to search latent fingerprints found at crime scenes against those of known criminals and receive a high quality image that permits verification. The 1989–90 Budget proposes \$1.1 million and 3 personnel years to expand the data processing and storage capacity of the system to keep pace with increased submissions and inquiries; \$2 million for seventh-year funding of the existing system; and \$3.5 million to provide participating local law enforcement agencies direct access from point-of-booking terminals. These terminals are used in jail facilities to instantly conduct a fingerprint search of anyone who is arrested without positive identification and live-scan terminals, which electronically "read" fingerprints taken at local facilities. It is estimated that this will increase the number of individuals identified by Cal-ID by 35 percent, or an additional 1,100 felons per year.

Legal Services. In addition to its law enforcement responsibilities, the Attorney General is responsible for providing legal services on behalf of the people of California. This includes representation of the people before the appellate and Supreme Courts of California and the United States in all criminal and civil matters; to serve as legal counsel to state officials and departments; and to assist district attorneys in the administration of justice. For 1989–90, the Budget proposes an additional

\$8.2 million and 63 personnel years for a total funding level of \$104.4 million for the Civil Law, Criminal Law and Public Rights programs including the following increases for prosecution, defense and related legal activities:

- \$729,000 and 5 personnel years for enforcement of nursing home citation violations;
- \$1 million and 15 personnel years to handle increased workload in the Appeals, Writs and Trials and Correctional Law sections;
- \$774,000 and 11 personnel years for investigation and prosecution of cases involving the illegal diversion of prescription drugs by Medi-Cal providers; and,
- \$127,000 and 1 personnel year for legislation enacted in 1988 as a part of the Governor's initiatives to stop drug trafficking in California. This new law permits the Attorney General or a district attorney to obtain a Superior Court order authorizing the electronic surveillance (wiretaps) in certain investigations of major drug violations. The proposed funding will establish a wiretap coordinator to provide legal advice to state and local investigators on the use of wiretap, approve applications for surveillance and assist in the training and certification of law enforcement personnel authorized to use electronic surveillance.

Office of Criminal Justice Planning

The Office of Criminal Justice Planning (OCJP) funds grant programs in the areas of law enforcement, crime prevention, juvenile justice, criminal prosecution and crime victim's services. The Office promotes the exchange of information, including interdisciplinary approaches and mutual support among criminal justice agencies and public and private service providers. OCJP's innovative programs serve as a catalyst to coordinate and expand crime-fighting efforts in California communities. Through financial and technical assistance to local gov-

ernment, state and community service agencies, the Office provides statewide leadership to improve California's criminal justice system.

The Governor's proposed 1989-90 Budget for OCJP totals \$99 million and 108 personnel years. Local assistance awards total \$90.5 million, with \$50.7 million in funding for anti-drug abuse and gang violence suppression activities, \$18.3 million for programs serving victims of crime and \$10.1 million for law enforcement and prosecution programs aimed at the most dangerous, repeat criminal offenders as displayed in Figure 7-6.

Suppression of Drug Abuse in Schools. The Suppression of Drug Abuse in Schools Program currently funds 60 projects targeting approximately 666,000 students. This program has been successful in positively impacting the problem of drugs in participating schools through the partnership it forms between local school districts and law enforcement agencies. For 1989-90, the Governor's Budget proposes an increase of \$20 million for the program. Grant funds will permit local school districts to implement substance abuse curricula approved by the Governor's Policy Council on Drug and Alcohol Abuse aimed at preventing substance abuse among elementary school-age youth before these negative behavior patterns can be established.

Victim-Witness Assistance Program. The Victim-Witness Assistance Program aided 118,121 crime victims during 1987-88 through 44 victim-witness assistance centers serving victims in 51 counties. Services provided by these centers include crisis intervention, counseling, emergency food, clothing, lodging, transportation and accompaniment to courts.

The 1989-90 Budget proposes an increase of \$200,000 to expand the Victim-Witness Assistance and Rape Crisis Center programs. The proposed funding level will permit the services of this program to reach all 58 California counties, and to expand the Rape Crisis Center program to two unserved counties.

"It is estimated that this will increase the number of individuals identified by Cal-ID by 35 percent, or an additional 1,100 felons per year."

Local Public Prosecutors and Public Defenders Training. The Public Prosecutors and Public Defenders Legal Training Program provides statewide programs of education, training and research for local prosecutors and public defenders. The budget proposes an increase of \$100,000 to train local public prosecutors in the investigation and prosecution of hazardous materials violation cases and train public defenders in emerging issues. This training will improve local prosecutors' abilities to seek and obtain criminal sanctions as a means to deter illegal environmental abuses such as illegal toxic dumping, improper use of pesticides and illegal dumping in water supplies and will improve the skills of public defenders in new areas of law.

Gangs and Drugs

A high priority of the Governor is to strengthen the state's resources in the areas of prevention, treatment and enforcement of drug abuse,

drug trafficking and gang violence in California. Since the Governor has assumed office, the level of effort to enhance the state's war against drugs and gangs has grown to \$196 million in the current year. Funding areas include \$116 million in the Department of Alcohol and Drug Programs and the Office of Criminal Justice Planning to promote prevention and education in schools and community programs, as well as support for numerous treatment and rehabilitation activities; \$50 million for narcotics enforcement, prosecutorial and correctional programs in various state law enforcement/correctional agencies, such as the Departments of Justice and Corrections; and \$13 million in the Department of Education for drug-free programs in schools.

Through these expenditures, the Administration seeks a balanced but aggressive approach to resolving the state's drug and gang problems. Prevention and education ef-

forts are effective in reaching young people as they form life-long patterns of behavior and increasingly assume responsibility and develop self-esteem for themselves. California's system of drug abuse treatment, intervention and recovery is diverse, taking into account the varying needs of its clients. Law enforcement has the vast responsibility of keeping the drug supply from the potential user by attempting to stop the distribution of the drugs that enter California or are produced within the state. State-supported drug task forces have proved an effective way to investigate and arrest drug suppliers.

Additionally, the Governor instituted a series of new initiatives to strengthen California's efforts, a plan which represents further steps in the state's war against drugs and gangs. These initiatives included:

Governor's Policy Council on Drug and Alcohol Abuse. The Governor's Policy Council on Drug and Alcohol Abuse works to increase the effectiveness of the efforts against drug abuse by ensuring that anti-drug programs and policies are nonduplicative, well-planned and coordinated.

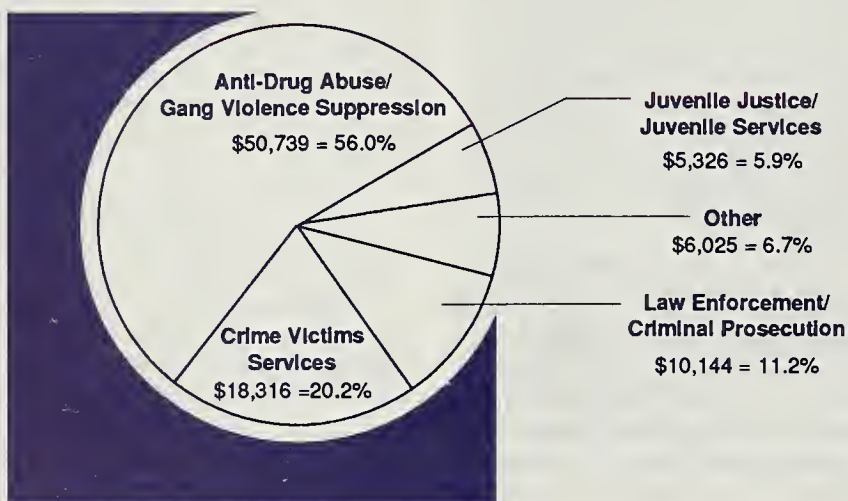
Task Force on Youth Gang Violence. The Governor reconvened the Task Force on Youth Gang Violence, established by the California Council on Criminal Justice, to consider potential new measures to counteract gang involvement in the drug trade.

New Legislation. The Administration will act quickly to implement legislation passed in 1988 which authorizes new or enhanced programs to strengthen the efforts of law enforcement.

- Drug asset forfeiture—AB 4162 (Chapter 1492/88) was enacted to strengthen the state's authority to seize illegally obtained assets of drug profiteers, primarily by changing the burden of proof requirements. Proceeds from the seizure of these assets will go to local law enforcement and can be used to enhance their drug fighting capabilities.

Figure 7 - 6

Office of Criminal Justice Planning Local Project Awards All Funds (Dollars in Thousands)



- Gang violence suppression—AB 3414 (Chapter 1247/88) authorizes the development of a computerized data base of known gang members and gang-related crimes, with the 1988 Budget Act providing \$200,000 for the feasibility study. This is an important tool in the state's attack on gang violence. AB 4162 also authorizes \$1 million in 1989 and 1990 to fund a gang prevention pilot program (Gang Risk Intervention Pilot Program—GRIPP) in Los Angeles County.

- Electronic surveillance—SB 1499 (Chapter 111/88) allows law enforcement to use court supervised electronic surveillance against suspected major drug traffickers. Enactment of this measure marked the end of a two-decade long effort to secure an electronic surveillance bill.

Drug Trafficking, Substance Abuse and Gang Violence. The Governor's 1989–90 Budget proposes approximately \$221 million to fight drug trafficking, substance abuse and gang violence in California. This represents approximately a 13 percent increase over 1988–89 funding levels. Table 7-2 reflects state authorized expenditures for drug and gang violence suppression-related activities.

Suppression of Drug Abuse in Schools Program. Existing law requires school districts to provide instruction on alcohol and drug abuse, but does not specify the form or content of substance abuse programs. The Administration has assigned a high priority to school-based prevention programs and, since 1983–84, has more than doubled the funding for such programs. In 1989–90, the Administration proposes \$20 million to establish a new program of direct grants to school districts for substance abuse prevention in elementary grades. Grants will be administered by the Office of Criminal Justice Planning, under the Suppression of Drug Abuse in Schools Program, to fund drug abuse curricula approved by the Governor's Policy Council on Drug and Alcohol Abuse. This effort

will complement other early intervention, drug prevention and education activities which now exist in schools and communities, as well as programs such as the federal Drug-free Schools and Community Act administered by the Department of Education, and the Schools Community Primary Prevention Program in the Department of Alcohol and Drug Programs.

Pilot Treatment Project for Drug Exposed Women and Children.

The Health and Welfare Agency reports there has been a rapid increase over the past few years in the number of infants and children exposed to drugs and alcohol. To address this problem, the Administration proposes, on a three-year pilot basis, an \$8 million, multi-departmental effort. The pilot includes:

- \$5 million to the Department of Alcohol and Drug Programs to provide residential and non-residential recovery programs for women addicted to drugs or alcohol and their children;
- \$1.2 million to the Department of Social Services to recruit foster family homes for children born with a substance addiction or with AIDS; and
- \$1.8 million to the Department of Health Services for treatment and medical services for drug exposed pregnant and parenting women and infants.

The pilot counties are Alameda, Sacramento, San Diego and Los Angeles, the four highest areas of drug affected infants.

Master Plan for Alcohol and Drug Abuse. The budget proposes \$548,000 to begin implementation of the Master Plan on Drug and Alcohol Abuse, as mandated by Chapter 983, Statutes of 1988.

Drug Enforcement on the Highways. To enhance the California Highway Patrol's enforcement efforts against transport of illegal drugs or persons driving under the influence of drugs, 25 traffic officers are proposed in the budget. These officers will be part of the statewide narcotics enforcement task forces

“In 1989–90, the Administration proposes \$20 million to establish a new program of direct grants to school districts for substance abuse prevention in elementary grades.”

lead by the Department of Justice.

Judicial*

The State Constitution created the California Supreme Court and the Courts of Appeal to exercise the judicial power of the state at the appellate level. The Constitution also created the Judicial Council of California to administer the state's judicial system and creates the Commission on Judicial Performance to consider complaints against judges.

For 1989-90, the Judiciary is proposing a funding level of \$128.7 million and 988 personnel years. This represents a 16.7 percent increase

over 1988-89 to handle increasing workload in several programs including:

- An increase of \$9.9 million for the appointed counsel program in the California Supreme Court and Court of Appeal. The Sixth Amendment of the U.S. Constitution guarantees effective assistance of counsel in criminal appellate proceedings. In fulfilling this Constitutional responsibility, the courts have moved to contract with private administrators to provide case oversight and limited direct representation to indigent defendants. According to the Judiciary, for 1989-90, projected appellate court indigent defense appointments indicate a high growth in workload in this area, largely emanating from a rapid rise in the number of drug-related case ap-

peals as well as a general increase in the number of cases that are pushed forward from the trial courts on the basis of litigant appeals.

- An increase of \$1.2 million to meet the growing requests for assigned judge assistance throughout the trial court system. Related to this request is the proposed creation of 26 additional circuit court judges to sit on assignment in courts that are experiencing high workload or delays in processing case work.
- An increase of \$2 million to continue the development, enhancement and maintenance of automated information management systems to increase internal, administrative efficiencies within the state appellate courts and the Administrative Office of the Courts.

* The proposals included in this section are those submitted by the Judicial Branch and do not necessarily reflect the Governor's position on these issues.

Table 7-2

DRUG AND GANG VIOLENCE SUPPRESSION PROGRAM EXPENDITURES ***(Dollars in Thousands)**

<i>Department</i>	<i>1987-88 (Actual)</i>			<i>1988-89 (Revised)</i>			<i>1989-90 (Proposed)</i>		
	<i>Gen- eral</i>	<i>Fed- eral</i>	<i>Other</i>	<i>Gen- eral</i>	<i>Fed- eral</i>	<i>Other</i>	<i>Gen- eral</i>	<i>Fed- eral</i>	<i>Other</i>
Department of Justice:									
Bureau of Narcotic Enforcement.....	\$21,392	-	\$2,630	\$19,942	-	\$6,170	\$20,201	-	\$4,408
Western States Information Network.....	-	\$2,247	-	-	\$2,314	-	-	\$2,388	-
Campaign Against Marijuana Planting.....	-	488	-	-	436	-	-	410	-
Drug Diversion, Investigation and Prosecution Program.....	-	-	-	-	-	-	-	580	194
Electronic Surveillance Coordinator .	-	-	-	-	-	-	127	-	-
Asset Forfeiture	-	-	-	-	-	-	-	-	244
Office of Criminal Justice Planning:									
Campaign Against Marijuana Planting.....	2,750	-	-	2,750	-	-	2,750	-	-
Major Narcotic Vendors Prosecution	1,598	-	-	2,751	-	-	2,751	-	-
Gang Violence Suppression.....	3,515	505	80	4,315	505	714	4,315	505	712
Suppression of Drug Abuse in Schools.....	1,929	-	510	1,929	-	1,093	18,663	-	4,343
Targeted Urban Crime Narcotics Task Force (Alameda Co.)	238	-	-	-	-	-	-	-	-
Gang Risk Intervention Pilot Program (GRIPP—Los Angeles Co.)	-	-	-	-	-	-	-	-	1,000
Federal Anti-Drug Abuse Program	-	8,030	-	-	12,022	-	-	12,742	-
Department of Consumer Affairs:									
Dental Board.....	-	-	59	-	-	93	-	-	119
Board of Medical Quality Assurance.	-	-	518	-	-	652	-	-	682
Pharmacy	-	-	58	-	-	60	-	-	60

* Expenditure levels may include activities not directly related to drugs or gangs, such as alcohol-related activities, which cannot be separated out.

Table 7-2—Continued

DRUG AND GANG VIOLENCE SUPPRESSION PROGRAM EXPENDITURES *

(Dollars in Thousands)

Department	1987-88 (Actual)			1988-89 (Revised)			1989-90 (Proposed)		
	General	Federal	Other	General	Federal	Other	General	Federal	Other
Registered Nurse	-	-	442	-	-	570	-	-	575
Veterinary Medicine.	-	-	40	-	-	50	-	-	50
Physician's Assistants	-	-	-	-	-	14	-	-	52
Department of Veterans Affairs.....	83	-	-	135	-	-	135	-	-
Department of Corrections:									
Narcotic Addict Evaluation Authority	461	-	-	484	-	-	508	-	-
Dog Units.....	315	-	-	325	-	-	340	-	-
Substance Abuse Education	228	-	-	235	-	-	245	-	-
Special Narcotics Services.....	1,869	-	125	2,115	-	100	2,244	-	-
Criminal Activities Coordination	712	-	-	774	-	-	874	-	-
Department of the Youth Authority:									
Institutions and Camps	3,520	-	-	3,555	-	-	3,840	-	-
Parole Services	550	-	91	550	-	310	1,056	-	310
Department of Education:									
Positive Role Model Project	177	-	250	427	-	-	-	-	-
Drug-Free Schools and Communities Act of 1986	-	10,919	-	-	13,385	-	-	13,385	-
Office of Traffic Safety:									
Alcohol and Drugs in Relation to Traffic Safety.....	-	4,715	-	-	3,940	-	-	4,155	-
California Highway Patrol:									
Traffic Management.	-	-	11,053	-	-	11,869	-	-	12,911
Campaign Against Marijuana Planting.....	-	-	122	-	-	139	-	-	156

* Expenditure levels may include activities not directly related to drugs or gangs, such as alcohol-related activities, which cannot be separated out.

Table 7-2—Continued

DRUG AND GANG VIOLENCE SUPPRESSION PROGRAM EXPENDITURES ***(Dollars in Thousands)**

<i>Department</i>	<i>1987-88 (Actual)</i>			<i>1988-89 (Revised)</i>			<i>1989-90 (Proposed)</i>		
	<i>Gen- eral</i>	<i>Fed- eral</i>	<i>Other</i>	<i>Gen- eral</i>	<i>Fed- eral</i>	<i>Other</i>	<i>Gen- eral</i>	<i>Fed- eral</i>	<i>Other</i>
Support for Local Drug Task Force Teams.....	-	-	750	-	-	800	-	-	1,388
Department of Transportation.....	-	-	-	-	-	-	-	-	300
Department of Alcohol and Drug Pro- grams.....	37,910	30,034	4,488	39,066	42,893	8,207	39,248	36,035	10,694
Department of Mental Health: Community Ser- vices.....	500	-	-	500	-	-	500	-	-
Department of Rehabilitation: Vocational Rehabili- tation Program.....	1,461	5,845	-	1,794	7,174	-	1,973	7,892	-
Department of Social Services									
Foster Family Home Recruitment for Substance Dependent/Ex- posed Infants and Children with AIDS.....	-	-	-	-	-	-	1,156	-	-
Department of Health Services:.....									
Intravenous Drug Users.....	-	-	-	200	890	-	200	1,500	-
Family Health Services for Drug Exposed Women and Infants	-	-	-	-	-	-	1,843	-	-
Total	\$79,208	\$62,783	\$21,216	\$81,847	\$83,559	\$30,841	\$102,969	\$79,592	\$38,198

* Expenditure levels may include activities not directly related to drugs or gangs, such as alcohol-related activities, which cannot be separated out.



As in previous years, the 1989–90 Budget reflects the concern of the Administration regarding protection of the environment. The most basic needs of Californians include clean air and water. It is unfortunate that the growth of California's economy has often resulted in degradation of the environment. Many of these problems were created some years ago and were not apparent at the time. Current and future generations must not only find ways to facilitate the operation of California industries, while limiting adverse impacts on the environment, but must attempt to mitigate the unforeseen effects of past decisions.

Proposed 1989–90 expenditures to mitigate environmental problems are reflected in a number of programs and agencies. The organizations most directly involved are the Air Resources Board, the Water Resources Control Board and the Toxics Division in the Department of Health Services. However, there are a number of programs and agencies which also contribute to the effort to preserve the environment.

As in other areas of the budget, expansion in the environmental protection area, particularly the asbestos abatement program and the Water Resources Control Board's Water Quality program, has not occurred as rapidly as had been planned, due to the passage of Proposition 98.

Toxics and Environmental Health

Each year, Californians produce an estimated 10 million tons of toxic waste—enough to fill a pickup truck for every man, woman and child. Today, virtually every consumer product we use to make our lives comfortable and enjoyable generates waste by-products, and safely disposing of these wastes is one of our greatest challenges.

The 1989–90 Governor's Budget proposes expenditures of \$315.2 million and 2,153 personnel years for various toxics programs statewide. This represents a 474 percent increase in funding and a 130 percent increase in staffing over the 1982–83 level.

Table 8-1 displays the existing and proposed funding levels of the various state departments concerned with toxics problems.

Environmental Programs Department of Health Services. The 1989–90 Budget proposes \$152.4 million in total funding for the Toxic Substances Control Division (TSCD) of the Department of Health Services (DHS).

An essential element of the State's Toxic Program is site mitigation which has mainly been funded by the \$100 million Hazardous Substances Cleanup Bond Act of 1984. It is anticipated that these funds will be fully committed in 1988–89. The Administration sponsored legislation in 1988 to authorize a second bond measure to finance the site mitigation program. However, this

second measure was not approved by the Legislature. The Administration is currently working with the Legislature and industry to identify sources of short-term and long-term funding to support the toxics program. It is anticipated that legislation will be introduced in early 1989 to provide funding for the site mitigation program. New funding solutions need to be in place by the start of fiscal year 1989–90 in order to continue progress in cleaning up sites.

In addition, the current funding for support of the regulatory program (Hazardous Waste Control Account) sunsets June 30, 1989. The Administration will also have specific proposals aimed at creating a fair and stable funding source in this program.

Specific budget changes include:

- An increase of \$365,000 and 1 personnel year to meet the increased training needs of the division.
- An increase of \$173,000 and 4 personnel years for implementation of Chapter 1376, Statutes of 1988, which continues the Fee Program.

Department of Justice. The Attorney General is responsible for enforcement actions arising under the State and Federal Superfund laws and the Hazardous Waste Control Act. On behalf of the Department of Health Services, the Attorney General handles legal actions necessary to recover the costs incurred by the state to cleanup hazardous waste sites. Some of these cases involve millions of dollars and

multiple responsible parties. For 1989-90, the Governor's Budget proposes an increase of \$969,000 and 14 personnel years for increased cost recovery and hazardous waste enforcement cases. This funding level includes \$445,000 and 3 personnel years to handle the Stringfellow Toxic Site litigation in an effort to recover an estimated \$200 million to \$800 million in cleanup costs from polluters.

Department of Food and Agriculture. The Department of Food and Agriculture is responsible for registering and regulating chemicals—primarily pesticides—that are used in the state for the protection of the public. For 1989-90, the Governor's Budget proposes fourth-year funding in the amount of \$600,000 for implementation of the final phase of the Pesticide Contamination Prevention Act (Chapter 1298, Statutes of 1985). The 1989-90 schedule of activities includes monitoring five pesticides which have been determined to be groundwater contaminants, and testing ground water for the presence of ten pesticides known to contain carcinogens. Each year the Department will test for ten different pesticides and continue monitoring those that are found to be contaminants. The approved use of those pesticides will be modified in an attempt to prevent ground water contamination. If contamination continues, then that chemical will be banned in California.

Office of Emergency Services. The Chemical Emergency Planning and Response Commission (CEPRC) appointed by the Governor has responsibility to implement the Federal Title III program. This program provides regional emergency planning through six committees and is integrated with the state programs which emphasize local planning through the approximately 125 Local Administrative Agencies. The Office of Emergency Services (OES) provides technical support to both programs as well as review of plans. In addition, OES provides direct staff support to the Commission and committees.

Both programs require substance release notification and that both local government and business develop appropriate emergency response plans. The programs require submission and collection of chemical data from business that will improve response plans and make more information available to the community. Other parts of the programs are designed to manage chemical risks and prevent future incidents.

OES also operates the California Hazardous Material Incident Reporting System (CHMIRS). OES collects and analyzes information provided by hundreds of local emergency response teams. This data is used to refine the emergency management system and is available to businesses.

State Board of Equalization. The State Board of Equalization collects fees from generators of hazardous wastes and from certain hazardous waste facilities as well as collecting an annual "Superfund" tax from generators of hazardous wastes. These revenues are deposited in the General Fund's Hazardous Waste Control Account and the Hazardous Substance Account.

The 1989-90 Budget proposes \$2.7 million in total funding for the Board. Specific increases are proposed as follows:

- \$394,000 and 7 personnel years to process increased workload such as petitions and hearings.
- \$254,000 and 7 personnel years to process continuing Hazardous Waste Control Account fee workload under the provisions of Chapter 1376, Statutes of 1988.

California Highway Patrol. To protect the public from the unsafe transportation of hazardous materials, the California Highway Patrol (CHP) licenses and regulates transporters of such materials. Enforcement activities include the inspection of hazardous materials carrier terminals, vehicles, equipment, and loading and shipping procedures to reduce the likelihood of a severe accident involving these materials. Also, pursuant to Chapter 1384,

Statutes of 1988, the CHP will be establishing procedures for regulating transporters of inhalation hazards (e.g., toxic gases and vapors), including the designation of routes in the state to be used for the transport of such hazards and escort requirements. The 1989-90 Budget proposes \$3.4 million and 111 personnel years for these enforcement activities.

The illegal transportation and disposal of hazardous waste along state highways, freeways and county roads continues to be a serious problem. The CHP is increasing its efforts to combat this expanding problem by participating in regional and county task force strike teams established to investigate these public health hazards and aid in the criminal prosecution of responsible parties. The 1989-90 Budget proposes an increase of \$558,000 and 8 personnel years to increase the CHP's participation in these strike teams.

University of California. The 1989-90 Budget proposes \$2 million for the University of California to continue the cleanup of its toxics pits and dumps. The University also has many non-state funded research programs relating to toxics.

Department of Industrial Relations. The Department of Industrial Relations enforces safety and health standards in the work place, investigates the causes of occupational deaths, and assists employers to maintain safe and healthful working conditions by providing research, information education and consultation in the field of occupational safety and health. The 1986-87 Budget included enforcement of these standards in the private sector. In 1987-88, private sector enforcement was turned over to federal jurisdiction. In 1988-89 the voters mandated that private sector enforcement be returned to state jurisdiction, and the Budget includes funding to reinstate the program. The 1989-90 Budget includes full funding for the program. Safety in the use of toxic materials and industrial carcinogens are a part of the

overall occupational safety and health program.

Office of the State Architect and Higher Education. The Office of the State Architect oversees and recommends alternative methods of hazardous substance removal in state owned facilities. This includes specific responsibilities for management compliance with underground storage tanks law, replacement of PCB contaminated equipment, and abatement of asbestos which poses a health hazard to occupants and visitors of state facilities. The Governor's Budget proposes to continue these programs in the budget year. Specific proposals include the following:

- \$5 million is proposed for the completion of emergency asbestos abatement projects identified in the 1987-88 survey.
- \$2.6 million is proposed for federally mandated work to replace PCB transformers which are fire-related hazards and PCB transformers that leak.
- \$3.1 million is proposed for the installation of monitoring systems and precision testing of underground storage tanks. In addition, \$5 million of the funds available in 1988-89 will be reappropriated in 1989-90 to complete site investigations, cleanup and replacement of leaking tanks in sensitive ground water areas, and removal and cleanup of waste oil and abandoned tanks.
- \$10 million for the California Community Colleges for the removal and containment of hazardous substances. In addition, the Governor's Budget includes \$3 million to reimburse districts for their costs to develop hazardous materials business plans required by Chapter 1585, Statutes of 1988.
- \$5 million for the California State University to continue asbestos abatement efforts.

Air Resources Board. Air pollution impacts the health of California's residents, impairs productivity, damages crops and forests and lessens our enjoyment of our surroundings. Control of air pollution,

while ensuring that growth and needed development may occur, is the objective of the Air Resources Board (ARB). While the ARB's primary statutory authority is to establish and enforce standards which limit pollutant emissions from motor vehicles, the ARB's activities also include the following:

- establishment of air quality standards which identify acceptable concentrations of pollutants;
- development and evaluation of the effectiveness of air pollution control strategies and the development of rules and regulations to assist local air pollution control districts in achieving and maintaining air quality standards;
- development of rules and regulations to limit pollutant emissions from both stationary and mobile (vehicular) sources;
- research into the nature of toxic air contaminants and other air pollutants to gain a better understanding of their harmful effects on the state's citizens and resources;
- monitoring of ambient air pollution concentrations throughout the State and the developing of inventories and analysis of major sources of air pollutants; and
- enforcement activities to assure compliance with air pollution regulations.

As a result of Air Resources Board efforts, Californians operate the least polluting vehicles in America. During 1987-88, Air Board staff conducted over 5,000 dealership and fleet inspection tests and over 900 tests of vehicles in use to ensure that emissions equipment functions properly after a vehicle is sold. The Air Board also has been working with local air pollution control districts to ensure that necessary measures to limit emissions from stationary sources are implemented.

In 1988 the Governor signed several landmark pieces of legislation to make the state's air pollution program more effective. To implement this legislation, the 1989-90 Budget

"New funding solutions need to be in place by the start of fiscal year 1989-90 in order to continue progress in cleaning up sites."

proposes the following increases in funding:

- \$5.4 million and 51 personnel years to implement the California Clean Air Act of 1988. This Act requires the ARB to further control vehicles and vehicular fuels, and to develop new programs to reduce emissions from off-road vehicles, small engines, marine vessels and consumer products. The legislation also directs the ARB to designate areas that exceed state clean air standards, establish and administer an effort to develop cleanup plans, develop better methods for determining the effectiveness of controls and evaluate the movement of air pollution from one area to another.
- \$3 million and 12 personnel years to extend the state's acid deposition investigations. The program will initiate a five-year effort to better characterize acid deposition in California, and obtain the information needed to protect the public from the adverse effects of acidic air pollutants.
- \$2 million and 26 personnel years to improve the Smog Check program. The ARB will implement a program to inspect heavy duty diesel trucks and require the repair of trucks found to have excessive smoke emissions.

In addition, the 1989-90 Budget includes the following increases in funding for the Environmental Affairs Agency:

- \$135,000 and 1 personnel year to continue the activities of the Office of Hazardous Materials Data Management. The Office will continue the effort to create a single automated inventory of entities that are subject to hazardous substance regulations.
- \$1.9 million in federal offshore oil settlement funds to implement the second phase of the Local Fisheries Mitigation Program. Through a coordinated effort with the commercial fishing industry, the program will mitigate the adverse effects of off-shore oil and gas development on the commercial fishing industry.

Water Resources Control Board.

The purpose of the State Water Resources Control Board and the nine Regional Boards is to preserve and enhance the quality of the State's water resources and to assure their proper allocation and effective utilization. These objectives are achieved through two programs, water quality and water rights, by the following means:

- Monitoring and enforcement of waste discharge requirements;
- Conduct of a wastewater treatment plant operator training program;
- Allocation of the remaining unappropriated waters in accordance with State laws; and
- Enforcement of permit conditions, prevention of waste and abatement of illegal diversion.

California faces serious challenges in water management, pollution control and water quality enhancement. The Board's broad objective is to achieve and maintain the highest possible quality of the waters in the state consistent with their use. This objective is met through various programs and activities. The 1989-90 Budget proposes \$358 million in total funding to achieve these and other objectives, including the following:

- Bay-Delta Hearing—During 1987, the State Board began a three-year process to establish new water quality protections for the San Francisco Bay-Sacramento-San Joaquin Delta Watershed. This watershed is the source of two-thirds of the state's water supplies. During 1989-90, the State Board, using on-going resources of approximately \$1.4 million and 20 personnel years, will develop a plan for the control of salinity and develop a pollutant policy document. The Board will also begin to develop alternatives to achieve the objectives set forth in the salinity plan.
- Santa Monica Bay—As part of the National Estuary Program, the Board and the Federal Environmental Protection Agency will continue a multi-year planning ef-

fort to improve and restore the Santa Monica Bay's environmental quality. For 1989-90, \$533,000 and 4 personnel years are proposed for this effort.

- Bays and Estuaries Water Quality—During 1989-90, \$110,000 and 2 personnel years are proposed for the Board to initiate a multi-year effort to assess and amend the "State's Enclosed Bays and Estuaries Water Quality Control Policy". This policy is incorporated into the Regional Water Quality Control Plans. These regulatory plans and policies set water quality standards to protect the beneficial uses of bay and estuarine waters.
- Basin Planning—Water Quality Control Plans (Basin Plans) direct the regulation of the Water Quality Program. These plans were first adopted in 1975. Since then, they have become outdated and no longer adequately serve this function. During 1989-90, with an increase of \$5.9 million in contract funding, the Board will initiate an update of the Basin Plans which will result in improved regulation of water quality throughout the state.
- State Revolving Loan Fund Program—Federal involvement in providing grant funds for the construction of publicly-owned wastewater treatment facilities will cease during 1989-90. During 1989-90, the Board will complete the conversion of the Clean Water Grant Program to a loan program, as required by federal law. This conversion will result in a budget reduction of \$895,000 in federal funds and 17 personnel years.
- Toxic Pits—The 1984 Toxics Pits Clean-Up Act is designed to prevent water contamination from liquid hazardous wastes stored in surface impoundments. The major focus for 1989-90 will be the continued review of hydrogeological assessment reports and oversight of the closure of surface impoundments to ensure that water quality is protected.

- **Underground Tanks**—Beginning in 1987–88, the Board implemented a two-year pilot program to assess the feasibility of providing grants to local agencies for the cleanup of leaking underground tanks. During 1989–90, the Board proposes to continue its efforts with \$4.9 million in federal funds and \$4.7 million in reimbursements that will fund \$8.3 million in local assistance grants and \$1.3 million for 25 personnel years.

Waste Management Board. The 1989–90 Budget proposes \$5.6 million in total funding for the Waste Management Board.

The purpose of the Waste Management Board is to establish and maintain a comprehensive waste management and resource recovery policy for nonhazardous waste. These objectives have been accomplished through the following means:

- Studies and investigations of new or improved methods of solid waste handling, disposal and reclamation. During 1987–88, the

Board reviewed 1 revision to the plans for resource recovery. It also implemented the \$1 million project using Petroleum Violation Escrow Account funds to assess the environmental impact of waste-to-energy facilities.

- **Public awareness and education programs.** During 1987–88, the Board undertook its “California Cleanin’ ” public awareness program with an emphasis on litter control.

The Waste Management Board continues to implement the Disposal Site Cleanup and Maintenance Program, established in 1987. This program will eventually be self-supporting through annual fees from disposal site operators. The program will ensure that all facilities maintain closure and post-closure plans with adequate financial resources. It will also provide grants and loan guarantees designed to reduce the amount of hazardous waste disposed of at solid waste sites. For 1989–90, \$1 million and 18 personnel years are proposed for this effort.

“In 1988 the Governor signed several landmark pieces of legislation to make the state’s air pollution program more effective.”

Table 8-1
Level of Effort Related to Toxics
(In Thousands)

<i>Department/Program</i>	<i>1986-87</i>	<i>1987-88</i>	<i>1988-89</i>	<i>1989-90</i>
FOOD AND AGRICULTURE				
Certifies new pesticides; regulates pesticide labeling and use; monitors chemical pesticides use; tests for pesticide residues on fresh food products; identifies air and groundwater contamination attributable to pesticides; and identifies and requires implementation of procedures to mitigate any dangerous effects of pesticides. State and agriculture funds support approximately 276 county positions which are not displayed on this chart.				
General	\$17,603	\$19,904	\$18,805	\$19,728
Federal	393	502	751	772
Other	10,381	12,389	10,891	11,279
TOTAL	\$28,377	\$32,795	\$30,447	\$31,779
Personnel Years	269	325	273	272

HEALTH SERVICES

Regulates hazardous chemicals from origin to disposal including the development of alternative technologies; develops and maintains a research capability and information repository regarding industrial chemicals and work induced diseases; and provides cleanup of toxic dumpsites, emergency response, victim compensation and emergency response equipment.

General	\$14,400	\$5,700	\$5,363	\$171
Federal	36,906	15,121	19,309	34,262
Other	58,675	111,383	117,223	131,908
TOTAL	\$109,981	\$132,204	\$141,895	\$166,341
Personnel Years	569	754	934	943

WATER RESOURCES CONTROL BOARD/Including Regional Boards

Regulates the disposal of chemicals to protect water quality including: permitting, monitoring and enforcement activities for hazardous waste facilities; pretreatment of potentially toxic industrial wastes; inspecting, monitoring and supervising the clean-up of leaking underground tanks which store hazardous materials; the identification of sources of contamination of drinking water wells; and the identification and evaluation of leakage from solid waste disposal sites and surface impoundments.

General	\$13,398	\$14,768	\$15,900	\$12,770
Federal	1,119	1,137	6,290	7,562
Other	4,736	4,813	13,455	10,148
TOTAL	\$19,253	\$20,718	\$35,645	\$30,480
Personnel Years	209	230	306	329

WATER RESOURCES

Includes studying the health aspects of Delta water supply; advising Regional Boards regarding water discharge; monitoring asbestos in the California Aqueduct; replacing the Department's underground storage tanks; monitoring and disposing of geothermal waste products; and monitoring groundwater in the Delta.

General	\$1,788	\$948	\$1,125	\$954
Other	1,896	3,847	5,076	4,088
TOTAL	\$3,684	\$4,795	\$6,201	\$5,042
Personnel Years	11	25	36	33

FISH AND GAME

Monitors aquatic and marine life and wildlife for effects of hazardous chemicals, and is responsible for off-highway hazardous spills and some related enforcement activities.

General	\$200	\$237	\$248	\$255
Other	1,056	1,055	1,200	1,236
TOTAL	\$1,256	\$1,292	\$1,448	\$1,491
Personnel Years	56	57	57	57

CAPITAL OUTLAY Including Higher Education

Includes replacement/repair/disposal of leaking PCB equipment; survey, replacement and cleanup of leaking underground storage tanks; and asbestos abatement statewide as well as the UC Riverside Hazardous Waste Facility construction.

TOTAL (Other)	\$23,493	\$9,441	-^a	-^a
Personnel Years	13	13	-	-

^a Beginning in 1988-89, funding is proposed in the support appropriations of the affected agencies.

TRANSPORTATION

Responds to spills on public highways; investigates and evaluates potential waste sites; and cleans up sites located on highway project rights-of-way.

Federal	\$11,900	\$4,500	\$2,970	\$2,970
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Table 8-1—Continued
Level of Effort Related to Toxics
(In Thousands)

<i>Department/Program</i>	<i>1986-87</i>	<i>1987-88</i>	<i>1988-89</i>	<i>1989-90</i>
Level of Effort Related to Toxics (In Thousands)				
Department/Program.....	1986-87	1987-88	1988-89	1989-90
Other.....	18,160	13,537	12,241	13,072
TOTAL	\$30,060	\$18,037	\$15,211	\$16,042
Personnel Years	19	28	27	56
HIGHWAY PATROL				
Regulates transportation of toxic and hazardous materials.				
TOTAL (Other).....	\$1,939	\$2,301	\$1,560	\$3,438
Personnel Years	60	66	77	111
INDUSTRIAL RELATIONS				
Protects workers from hazardous chemicals, and monitors and regulates industrial carcinogens.				
General.....	\$4,009	\$3,117	\$3,323	\$6,187
Federal.....	2,260	653	1,345	3,067
TOTAL	\$6,269	\$3,770	\$4,668	\$9,254
Personnel Years	90	51	63	121
OFFICE OF EMERGENCY SERVICES				
Provides technical and staff support for local and regional response plans, compiles data on hazardous materials incidents. Provides training to local government and business on hazardous materials management.				
General.....	\$379	\$309	\$256	\$366
Other.....	193	900	1,846	1,690
TOTAL	\$572	\$1,209	\$2,102	\$2,056
Personnel Years	5	14	33	33
AIR RESOURCES BOARD				
Identifies and quantifies emissions of toxic air contaminants; develops and evaluates methods for reducing exposure to toxic air contaminants; and coordinates with local air pollution control districts to implement and enforce controls on sources of toxic emissions. Includes expenditures of the Environmental Affairs Agency.				
General.....	\$1,466	\$1,511	\$1,631	\$1,791
Other.....	5,388	5,714	6,094	6,941
TOTAL	\$6,854	\$7,225	\$7,725	\$8,732
Personnel Years	67	79	89	94
DEPARTMENT OF JUSTICE				
Litigates toxic waste cases to avoid further toxic pollution since the Department of Health Services (DHS) does not have the authority to litigate.				
TOTAL (Other).....	\$1,343	\$1,422	\$1,489	\$2,483
Personnel Years	16	16	16	30
UNIVERSITY OF CALIFORNIA				
Conducts pure research into toxic wastes. The topics researched with General Fund dollars include health effects, prevention/control of toxic wastes, environmental dispersion and basic toxicology with an emphasis on agriculture, occupational health and the State water supply. Also includes funds for cleanup of toxic pits and dumps.				
General.....	\$1,500	\$2,000	\$2,000	\$2,000
Other.....	—	2,183	433	—
TOTAL	\$1,500	\$4,183	\$2,433	\$2,000
COMMUNITY COLLEGES/STATE UNIVERSITIES				
Funds removal and containment of asbestos materials, PCB's and underground tanks and their contents.				
General.....	—	\$5,000	\$5,000	\$8,000
Other.....	—	—	20,600	10,000
TOTAL	—	\$5,000	\$25,600	\$18,000

Table 8-1—Continued
Level of Effort Related to Toxics
(In Thousands)

<i>Department/Program</i>	<i>1986-87</i>	<i>1987-88</i>	<i>1988-89</i>	<i>1989-90</i>
GENERAL SERVICES				
Administers the Asbestos Abatement, PCB Equipment Replacement and Underground Storage Tank Removal programs in State facilities.				
General	—	—	\$10,396	\$10,369
Other.....	—	\$19,382	10,300	5,000
TOTAL	—	\$19,382	\$20,696	\$15,369

Table 8-1—Continued

Level of Effort Related to Toxics
(In Thousands)

<i>Department/Program.....</i>	<i>1986-87</i>	<i>1987-88</i>	<i>1988-89</i>	<i>1989-90</i>
Personnel Years	—	15	24	16

BOARD OF EQUALIZATION

Chapter 1506, Statutes of 1986, contained a one-time appropriation to fund 1986-87 work related to Hazardous Waste Control Account fee collections. Due to a reimbursable contract, fee collection expenditures for the Board are reflected in the Department of Health Services expenditure detail for 1987-88 and 1988-89. Beginning in 1989-90 the Board will be directly funded.

TOTAL (Other).....	\$585	—	—	\$2,686
Personnel Years	39	39	42	58

TOTALS

General	\$54,743	\$53,494	\$64,047	\$62,591
Federal	52,578	21,913	30,665	48,633
Other.....	127,845	188,367	202,408	203,969
TOTAL	\$235,166	\$263,774	\$297,120	\$315,193
Personnel Years	1,423	1,712	1,977	2,153

The Business, Transportation and Housing Agency's primary responsibilities are to strengthen California's business and housing climates and develop a safe and effective transportation system. To meet these goals, expenditures in the Governor's Budget for programs under the direction of the Agency total more than \$5.4 billion.

Business

The business section of the Governor's Budget is composed of two general areas: economic development and business regulation.

Rather than becoming complacent and satisfied with our past achievements this Administration continues its strong support of economic development to ensure that California remains a dynamic economic force, both domestically and internationally. The agencies with the primary responsibility for carrying out the state's economic development objectives are the Department of Commerce and the California World Trade Commission.

The state's business regulation activities are designed to foster a sound financial and business climate and protect the public from economic loss and illegal or unethical business practices. The responsibility for these regulatory activities rests with the following agencies: Department of Alcoholic Beverage Control, Alcoholic Beverage Control Appeals Board, State Banking Department, Department of Corporations, Department of Insurance, Department of Real Estate and

Department of Savings and Loan.

Department of Commerce

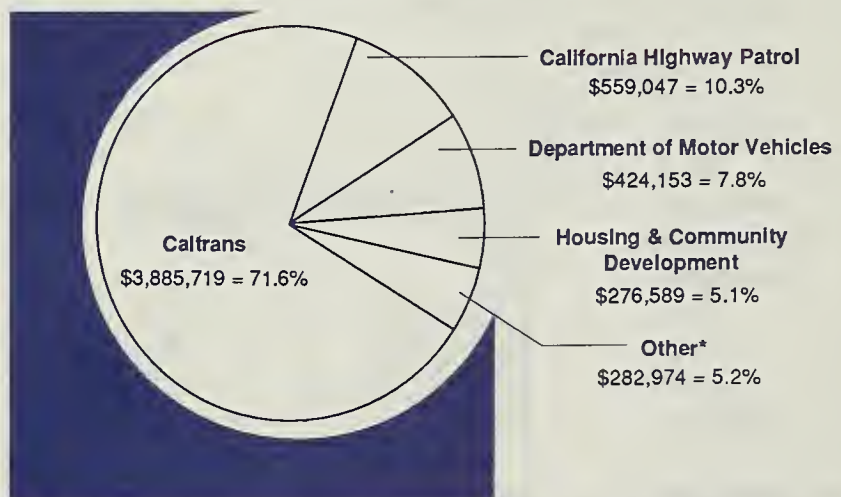
The Department of Commerce, with a staff of 122 personnel years and a proposed 1989-90 budget of nearly \$37 million, plays a pivotal role in helping to attract new business and industry to California and assist and encourage expansion of businesses

already located within the state. Efforts of the Department have contributed greatly to California's robust economy, which would rank sixth among world economies and produces 12.7 percent of the U.S. economic output. (See Figure 9-2.) The Department has forged a new climate of cooperation and commitment in California—government in

Figure 9 - 1

Business, Transportation and Housing Proposed 1989-90 Expenditures All Funds

(Dollars in Thousands)



*Reflects allocations for the Department of Commerce, Department of Insurance, Department of Real Estate, Department of Alcoholic Beverage Control, Department of Corporations, State Banking Department, Department of Savings and Loan, Stephen P. Teale Data Center, Office of Traffic Safety, California Housing Finance Agency and other miscellaneous organizations.

partnership with industry to expand business operations, encourage investment and accommodate new enterprises to create a diverse mix of new jobs and to make California firms competitive in the international market. (See Figure 9-3.) In concert with efforts of the World Trade Commission, the Department has been instrumental in expanding trade with foreign countries, with particular emphasis on the fast growing nations that constitute the Pacific Rim. (See Figure 9-4.)

Following is a summarization of the Department's accomplishments in the areas of business development, local development, rural assistance, competitive technology, filmmaking and tourism.

Business Development. The Department's Office of Business Development provides assistance to California's business community by ensuring that companies exploring business location or expansion opportunities in California are knowledgeable of potential sites as well as the competitive advantages of doing business in California.

Figure 9-2

California's Share of U.S. Economic Output

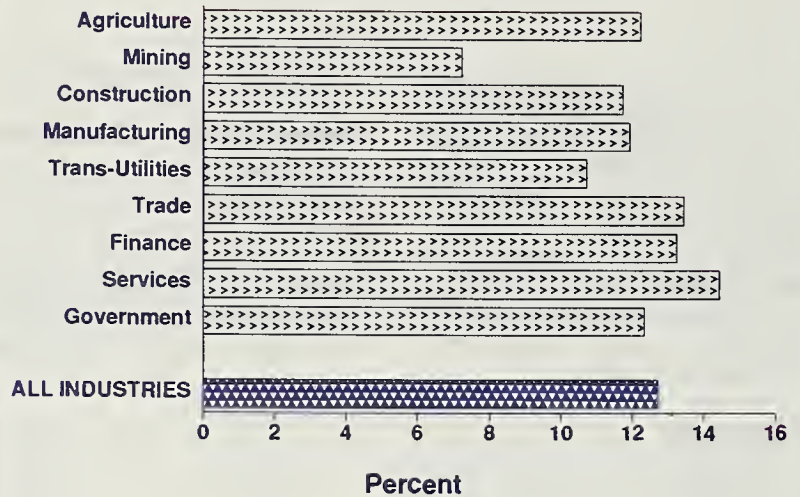
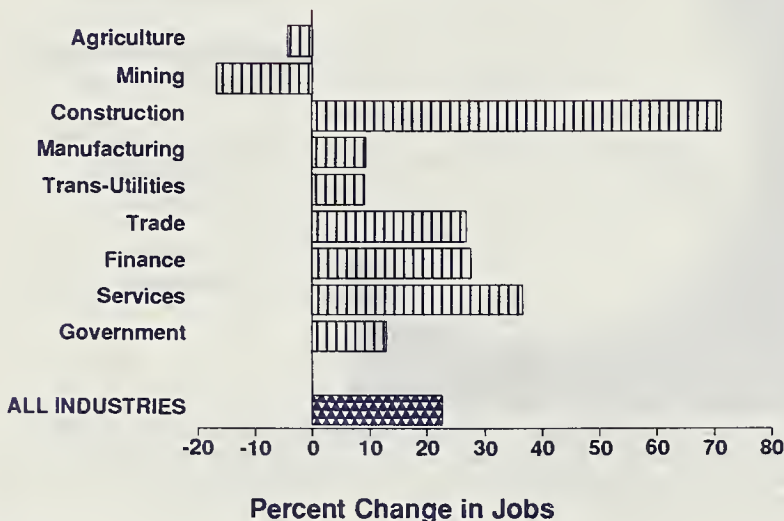


Figure 9-3

Job Creation in California 1982-1988



A major plank in the strategy to attract job-producing industrial growth is to make sure companies already in California have access to all the information they need in searching for a place to grow and to show them how the Department can help facilitate the process. The Department is committed to strengthening lines of communication with industrial planners in a way that will provide them with the data and assistance necessary to make sound decisions and realistic projections.

From fiscal years 1982-83 through 1987-88, approximately 2,230 companies selected California sites for location or expansion. These facilities represent a private sector investment estimated at \$15.7 billion, generating approximately 266,000 jobs. For 1987-88 alone, the Office of Business Development assisted in the expansion, retention and location of 45 firms, resulting in an esti-

mated 4,600 jobs being created or retained.

During fiscal year 1987-88, Teledyne Systems, a state-of-the-art navigation, guidance and control equipment manufacturer announced plans to retrain 427 employees who otherwise would have been laid off. With the assistance of the Office of Business Development, Teledyne was able to continue operations in a 366,000 square foot facility in Northridge. Also during the 1987-88 fiscal year, the 3M Corporation sought site selection assistance from the Office of Business Development. Subsequently, this Fortune 500 company announced the purchase of 140 acres in Roseville as the site for its expanded production.

Local Development. Economic stability is essential to the future of every community in the state. Communities in need of technical and financial assistance in their overall job creation efforts often turn to Commerce's Office of Local Development. This Office works closely with community officials on projects relating to downtown revitalization, responding to plant closures, and/or linking job training with economic development.

Utilizing a number of public funding programs, the Department has participated in 101 projects, creating approximately 3,500 jobs. Projects include an optical products manufacturer in Los Angeles; a business in San Jose which deals with hazardous waste disposal; a shopping center in Grass Valley; a hotel/restaurant in Anderson; and an office building in Lakeport.

Rural Renaissance. During the 1986-87 fiscal year, the Office of Local Development began implementation of the Governor's Rural Renaissance Initiative. Under the Rural Economic Development Promotion Program, one of the Initiative's two program components, grants are made to rural counties to fund a variety of activities aimed at promoting economic development in distressed rural communities. In 1988, contracts were finalized with 39 of the 41 eligible counties. By year end, \$4.1 million had been disbursed for promotional activities leading to the creation of an estimated 1,500 jobs.

The Department also administers the Rural Economic Development Infrastructure Program, Rural Renaissance's second program element. Under the program, low-interest loans and grants are made

"From fiscal years 1982-83 through 1987-88, approximately 2,230 companies selected California sites for location or expansion . . . a private sector investment estimated at \$15.7 billion, generating approximately 266,000 jobs."



to rural cities and counties to assist them in the financing of public infrastructure improvements associated with the location, expansion or retention of a business. Projects funded under the program include the construction of sewer lines and treatment facilities, water systems, parking structures and road improvements.

It has been this Administration's intention to provide \$30 million for the state's rural infrastructure needs. Due to the budget pressures brought about by Proposition 98, this level of funding is not possible. Despite these pressures, however, the Governor's Budget proposes an additional \$8 million for rural infrastructure projects in 1989-90, bringing the total amount provided for this program since 1986-87 to \$28 million. This additional funding will continue the Administration's commitment to developing new business and job opportunities while improving the quality of life for Californians in rural communities.

Competitive Technology. California companies compete in global markets against companies whose governments subsidize technological development. Although a tremendous amount of research and development is conducted in California, our companies are slower and less effective than they could be in implementing new technology and thereby improving production and manufacturing efficiency.

Recognizing this problem, the Governor signed legislation in 1988 creating the Office of Competitive Technology to identify and fund projects that lead to private sector commercialization of research discoveries and to enhance California's competitive position. Implementation of the Competitive Technology Program will increase the state's role in stimulating rapid application of California research to business and industry, ensuring that our business leadership will be positioned to transfer ideas into production faster and better than the competition.

The Administration originally proposed funding the Competitive Technology Program at \$20 million

per year. Due to the budget pressures brought about by Proposition 98, this level of funding is not possible. Despite these pressures, the Governor's Budget proposes \$7 million for competitive technology activities in 1989-90.

California Film Commission.

California continues to lead the nation in entertainment. Film and television production—a \$6 billion industry—means jobs for more than 80,000 Californians. In the first six months of 1988, 165 films were shot either entirely or partially in the state—up 27 percent over a comparable period a year ago. The California Film Commission is working with local communities and the film industry to continue building California's reputation as the entertainment capital of the world. One of the Commission's most effective marketing tools is its Location Resource Library, which has more than 65,000 photographs representing 83 categories. The library serves as a one-stop information center. Over 825 companies utilized this library and borrowed 8,000 pages of photographs during 1988.

For 1989-90, the Governor's Budget proposes \$765,000 and 8 personnel years for the California Film Commission.

Tourism. California is the most popular destination state for travel by U.S. residents. In fiscal year 1987-88, travel to and within California generated \$33.8 billion in travel expenditures, producing more than \$1.6 billion in state and local tax revenues. According to estimates of the impact of travel on state employment, more than half a million jobs were supported by travel expenditures in 1987-88. The Tourism program is an integral part of the overall plan to give California the competitive edge in attracting job-producing business development. The Department's mission in tourism is to increase travel revenue and to create tourism-related jobs as a means of reducing unemployment. Since fiscal year 1984-85, a total of \$34 million has been appropriated in support of the Tourism program.

In recognition of the special needs of rural areas, the Rural Tourism Marketing Grant Program was initiated in 1986 to help rural regions market tourist destinations throughout their areas. Since then, annual grants have allowed representatives of regional organizations to promote tourism in rural areas at trade shows and other tourism-related events.

For 1989-90, the Governor's Budget proposes \$5.4 million and 11 personnel years for the Department's tourism activities.

California State World Trade Commission

The California State World Trade Commission, established in 1983, is one of California's leading representatives in the international trade economy. California accounts for about 17 percent of the nation's foreign trade, providing billions of dollars in revenues and more than a million jobs for the state. Many of the state's industries look to overseas markets for continued growth and new opportunities.

In order to maintain California's status as one of the nation's leading producers and exporters of agricultural products, manufactured goods and services, the Commission pursues the following activities: shaping trade policies by advocating policies that open foreign markets and enhance California's worldwide competitiveness; improving trade awareness and acting as California's clearinghouse for trade information; financing exports by making it easier for California exporters to qualify for help from their local lenders; and providing marketing assistance to develop overseas sales opportunities.

In order to keep California competitive, this Administration has established trade offices in London, Tokyo, and Mexico City. In the coming year, a new position will be created to oversee all of the trade activities within the state, currently divided between several different state agencies. The Governor's trade representative will be responsible for the overseas offices and coordination of all the state's inter-

national activities. Furthermore, overseas representation will be established at two additional sites, one in Europe and one in Asia.

To successfully accomplish these responsibilities, the 1989–90 Budget proposes \$2.4 million and 20 personnel years.

Trade Development and Promo-

tion. Working at home, the Commission hosts foreign delegations and introduces them to California businesses. Abroad, the Commission's international marketing specialists lead small- and medium-sized, new-to-market, and new-to-export firms to the world's premier trade shows, reducing participation costs and organizing exclusive California displays. Currently, the Commission participates in over 20 international trade shows annually. Since its inception, the Commission has provided trade promotion opportunities to over 350 California businesses equating to \$50 million in sales for these businesses. The 1989–90 Budget proposes to establish two new positions to handle increased workload in the trade show schedule.

California Export Finance Pro-

gram. The California Export Finance Office, created in 1984, provides export finance insurance, co-insurance and loan guarantees to small- and medium-sized businesses and also provides technical assistance and information on the financial components of an export transaction. In its four-year history, the program has supported nearly \$100 million in export sales which has resulted in an estimated 2,500 jobs for California workers, and has provided assistance to approximately 119 companies in making their products known to foreign markets. The Commission anticipates approximately 45 new companies taking advantage of the Export Finance Program in the 1989–90 budget year.

Business Regulation

The 1989–90 Budget proposes \$105 million and 1,563 personnel years for the regulation of the financial

services industry. The state's regulatory activities are designed to foster a sound financial and business climate and protect the public from economic loss and illegal or unethical business practices by real estate brokers, banks, savings and loans, insurance carriers and agents, and corporate firms. Reflective of the Administration's commitment to consumer protection, the White Collar Crime Task Force of California was formed in the 1984–85 fiscal year. The Task Force consists of five state departments, Banking, Savings and Loan, Insurance, Corporations and Real Estate, and meets at 6–8 week intervals. Suspected crimes involving \$100,000 and affecting two or more departments are placed on a Task Force tracking list. In the 1987–88 fiscal year, 28 cases were being followed by the Task Force, including 3 cases that resulted in convictions. One of these cases resulted in the felon being sentenced to 20 years and ordered to pay \$4 million.

Legislation enacted in 1988 provides White Collar Crime Task Force departments with the authority to employ individuals who can exercise the power of arrest and the power to serve warrants. This legislation provides the Task Force with investigators that are able to work closely with state, federal and local law enforcement agencies and obtain or exchange information as necessary to support a case for prosecution.

Department of Insurance

Through the ongoing efforts of the Department of Insurance and the augmentations proposed in the Governor's Budget, continued attention will be focused on services to, and protection of, the public, with particular emphasis on protection of senior citizens. The Governor's Budget proposes a total of \$35 million and 499 personnel years for the Department's enforcement of insurance laws, prevention of insolvency in the industry, response to consumer complaints, licensing and examining activities and elimination of fraudulent sales of insurance policies designed to cover medical costs not covered by Medicare, or

*“California
accounts for
about 17 percent
of the nation’s
foreign trade,
providing
billions of
dollars in
revenues and
more than a
million jobs for
the state.”*

"Medi-gap" abuse.

Since 1982, the Department has opened more than 21,000 cases for investigation. In 1987, 244 cases resulted in civil legal action initiated by the Department, administrative action (loss or suspension of license), or referral to a local district attorney's office. These 244 cases involved fraud and are estimated to have cost the public \$7.3 million. From January to September of 1988, the Department already had completed 415 cases, involving more than \$4.4 million in losses to the public.

With the emphasis on protecting senior citizens, the Department has directed additional resources to investigating and stopping Medi-gap abuse. In 1986, the Investigations Division completed 27 cases involving Medi-gap abuse; in 1987, the total

increased to 56; and in 1988, it is expected to exceed 100. The 1989-90 Governor's Budget includes an additional 7 personnel years and \$400,000 to help combat this abuse.

Additional resources may be required for the Department to implement Proposition 103, which was passed by the electorate in November 1988. Several aspects of that measure are currently the subject of a legal challenge, the outcome of which will have an impact on the Department's future workload. The Department currently is developing forecasts of the workload associated with the proposition and they will be presented as soon as practical.

Transportation

State expenditures for transportation and related public safety pro-

grams are provided in varying degrees by the Department of Transportation, the California Transportation Commission, the California Highway Patrol, the Department of Motor Vehicles, the Office of Traffic Safety and local government agencies. Most of the revenue to support transportation expenditures in the state is derived from the state and federal gasoline tax, the sales and use tax on diesel fuel, motor vehicle license and registration fees, weight fees for trucks and trailers, and local sales taxes. (Figure 9-5 shows the transportation-related revenue anticipated from these and other sources in 1989-90 and the uses of that revenue.)

In addition to spending almost \$5 billion on roads, highways, mass transit, vehicle licensing and registration, and public safety, the Governor's Budget provides more than \$76 million for transportation services for social service recipients. These programs are offered by several state agencies, including the Department of Transportation, the Department of Developmental Services, the Department of Rehabilitation, the Department of Alcohol and Drug Programs, the Department of Aging, and the Department of Mental Health. The services have been consolidated to promote more effective and cost efficient use of available resources. The benefits of consolidation include larger equipment orders, thereby reducing unit prices, centralized vehicle dispatching and maintenance, and reduction of duplicative administrative activities. (Figure 9-6 shows the distribution of state funding for these services in 1989-90.)

Department of Transportation

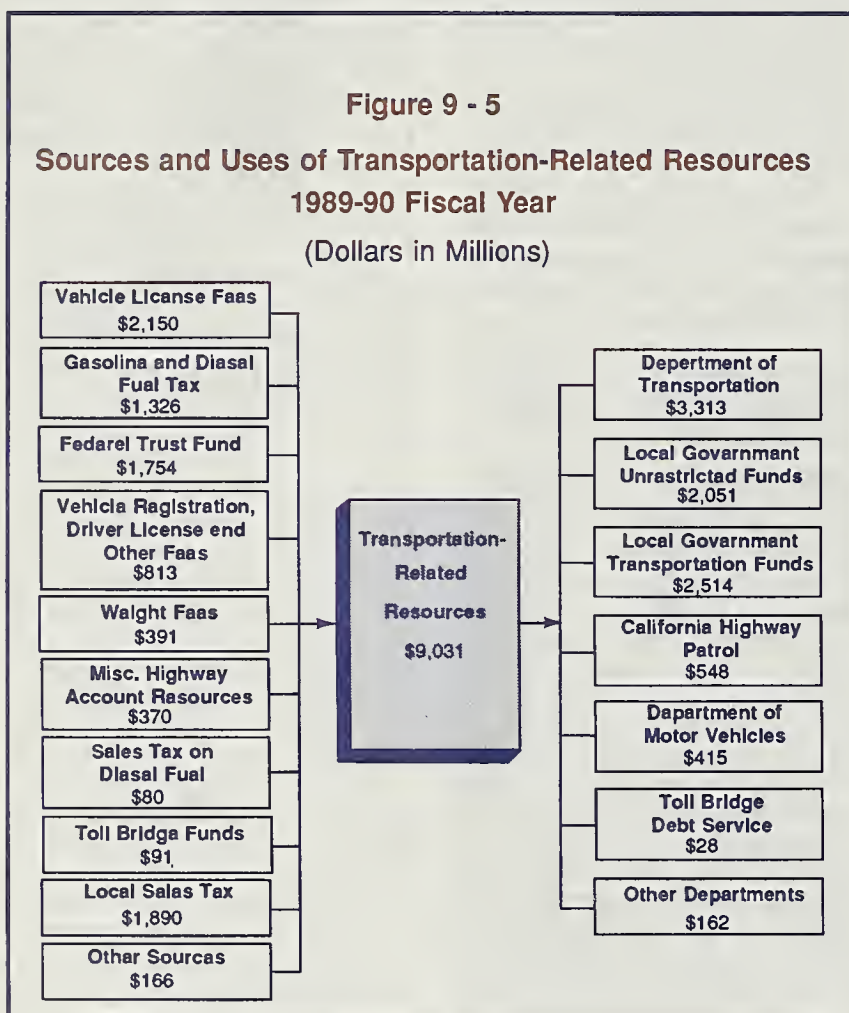
The California Department of Transportation (Caltrans) is recognized as one of the outstanding transportation organizations in the world. The Department constructs, operates and maintains a comprehensive transportation system of more than 15,200 miles of highways and freeways, and provides rail passenger services under contract with

Figure 9 - 5

Sources and Uses of Transportation-Related Resources

1989-90 Fiscal Year

(Dollars in Millions)



AMTRAK and Southern Pacific. Additionally, the Department provides technical assistance and development loans to the more than 200 public airports in California.

The 1989-90 Budget for Caltrans includes total expenditures of \$3.9 billion from federal funds, reimbursements and various state funds. Of this amount, \$1.9 billion will be spent on support of Caltrans and local assistance programs, and \$2 billion will be spent on highway construction projects. The Governor's Budget proposes 17,082 personnel years for Caltrans to plan future highway construction projects, maintain the existing highway system, and work with local agencies to plan and implement local transportation projects.

The growth and prosperity that California enjoys has led to a dramatic increase in the number of vehicles on its roadways. By the year 2000, it is estimated that six million additional vehicles will occupy the roadways. The Governor's Transporta-

tion Plan released in May 1988 indicated his concern over the increasing levels of traffic congestion associated with this growth in the number of vehicles on California's highways. The Governor, recognizing the need for innovative solutions to the state's congestion problem, issued an executive order to strengthen congestion relief efforts in California. The Governor's Plan has the following major components:

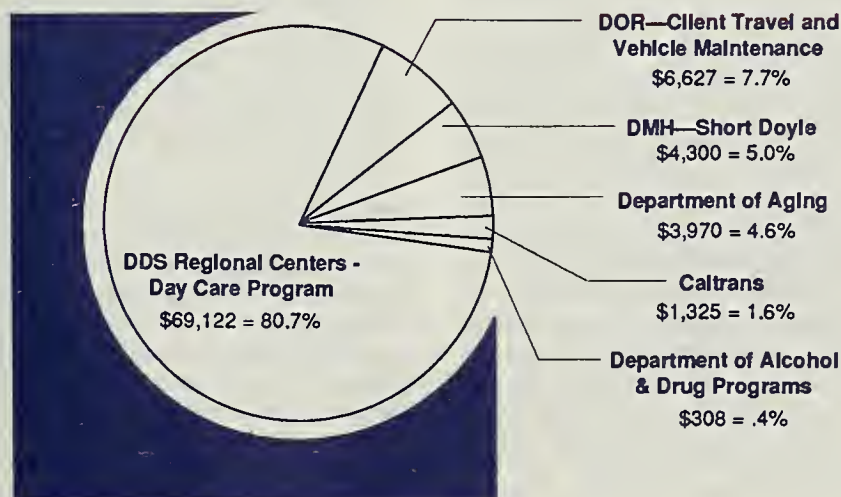
- Modifying working conditions in State agencies to reduce peak hour commutes and congestion by making staggered work hours available to additional state employees, limiting trips and deliveries and reducing the use of state vehicles.
- Encouraging major private employers to do the same by assisting in the development of transportation management associations, launching an aggressive marketing campaign designed to apprise people of vari-

"By the year 2000, it is estimated that six million additional vehicles will occupy the roadways."

Figure 9 - 6

**Transportation Services for Social Services Recipients
Proposed 1989-90 Expenditures
All Funds**

(Dollars in Thousands)



ous rideshare opportunities and providing \$10 million for the purchase of vanpool vehicles.

- Continuing the development of innovative traffic management techniques such as in-road sensors to warn authorities of traffic tie-ups, and computer-equipped "smart" cars which can direct drivers to speedier routes.

In addition, the Governor has established the Office for Traffic Improvement within Caltrans to direct and coordinate Caltrans' engineering and operations activities toward relieving traffic congestion. Specific activities occurring in the following areas are part of the new and ongoing efforts by the Administration to maintain and expand the transportation infrastructure to meet the growing needs of California.

Funding Adjustment. Relative to the expenditure plan reflected in the 1988 State Transportation Improvement Program, a number of funding adjustments are proposed. In large part, these are required due to the failure of the \$1 billion highway bond measure in June 1988. To maintain our efforts through 1989-90, a combination of fund shifts and expenditure adjustments are proposed. For 1988-89, modified accrual accounting for State Operations contracts will be adopted, for a one-time savings of \$70 million, and acquisition of the new Caltrans District 4 headquarters building will be deferred, for a one-time savings of \$9.5 million. These current-year savings will be used as a source of funds in 1989-90. For 1989-90, a total of \$360 million in STIP projects for which federal funds are not available will be deferred for one year. In addition, base expenditures for capital outlay projects, capital outlay support, and maintenance will be reduced by \$64.5 million. These reductions will be made in the following areas: maintenance contracts/materials (\$32.9 million); capital outlay support for engineering contracts (\$10 million); minor capital outlay projects (\$17 million); and nonexpendable equipment (\$4.6 million). The balance of the adjustments will be met by additional 1989-90 fund

shifts from the following sources: \$122 million to be transferred to the State Highway Account from the surplus in the Motor Vehicle Account; and \$40 million to be transferred to the State Highway Account from the Highway Construction Revolving Account.

Despite the need for these reductions, the Governor's Budget proposes increased expenditures in several key areas, including congestion relief, use of new technology, and local transportation project assistance. These increases and other budget highlights are described below.

Congestion Relief. The Governor's Budget proposes \$55 million to continue the Administration's successful traffic management and congestion relief strategies. This represents an increase of \$23.1 million or 72 percent over the level of funding provided in the current year. These strategies are intended to maximize the capacity of the current system, to reduce the number of vehicles using the highways, to minimize traffic delays caused by accidents, public events, and highway projects, or to reduce demand by encouraging ridesharing. They include:

- Use of Traffic Operation Centers to provide rapid responses to major accidents and incidents. At such centers, skilled traffic engineers and specially trained Highway Patrol Officers work as a team to monitor whole regions of traffic via closed circuit television and roadway-imbedded detectors. Traffic information collected at the centers is used to inform motorists and moderate the traffic flow with changeable message signs, freeway ramp meters, computerized traffic signals, and highway advisory radio systems.
- Use of incident response teams to clear freeway accidents and chemical spills more rapidly. An estimated 270,000 hours of vehicle delay per year have been eliminated through the rapid responses of these teams.

- Use of mobile towing services to reduce response time in eliminating traffic obstructions. These round-the-clock patrols on the four heavily-traveled bridges in the Bay Area have reduced the time it takes to clear accidents by 35 percent, saving the public the equivalent of \$50 million annually in lost time.

- Use of Caltrans' traffic operation reviews and assessments to eliminate bottlenecks by modifying signals, lighting or signs.

- Increased use of ramp metering.

- Ridesharing. The Governor's Budget proposes increasing the Ridesharing program from its current \$9 million level to \$18 million in order to aggressively pursue a combination of traditional and innovative transportation congestion reduction strategies.

- SMART Technology. In cooperation with city, county and various state agencies, the SMART corridor demonstration project is being developed by Caltrans to test advanced technologies to help address the congestion problem. The components to be tested include automating traffic surveillance to quickly identify and respond to traffic congestion, monitoring traffic control devices to make them more responsive to traffic conditions, providing alternative routing information on a current basis, and improving emergency response through increased interagency cooperation. This is a multi-year project which will begin operation in 1992. The Governor's Budget contains \$791,000 toward implementation of the SMART corridor project in 1989-90.

Research and New Technology. Over the years, Caltrans has acquired a reputation for developing innovative highway design and maintenance features. Earthquake restrainers developed by the staff of Caltrans' Transportation Laboratory, combined with stronger bridge pier designs, enabled freeway spans to escape virtually unscathed in the 1987 Los Angeles earthquake. Inlaid

thermoplastic striping on mountain highways is enabling Caltrans to provide, for the first time, reflective lane markings that can withstand winter damage from tire chains, blowing sand and snow plows. Calcium magnesium acetate, a non-corrosive, environmentally benign substitute for road salt, is being applied throughout the Eastern Sierra highways.

Other research studies being implemented in the current year include the Bridge Pier Scouring project to document the effect of water flow erosion on the stability of bridge piers; the Soundwall Construction project to test soundwalls constructed on mechanically stabilized embankments, allowing the use of more cost effective materials; and the Freeway Surveillance Detectors project to determine the feasibility of placing detectors to monitor freeway traffic on overhead structures in order to control traffic flow associated with congestion and for ease of maintenance.

In recognition of the benefits of this research, the Governor's Budget proposes spending \$4.1 million for this purpose in 1989-90. In Caltrans' maintenance program, two new studies will be initiated in 1989-90 to develop systems to provide electric power at remote sites and to conserve water in landscaped areas.

Caltrans' Program of Advanced Technology for the Highway (PATH) represents an entirely new research opportunity made possible by rapid strides in vehicle electronics. In 1989-90, the Governor's Budget proposes spending \$2 million to continue the research efforts that began in 1988-89. These funds will be spent for research and development on improved guidance systems for vehicles. Use of these systems is expected to reduce the minimum safe distance between moving vehicles and to allow vehicles to travel in narrower lanes with improved lateral control. Both changes are expected to increase the capacity of today's highways without the need for new construction. Experts believe that use of such systems may one day enable

the highways to transport twice as many vehicles per lane as do the existing highways.

Rail Passenger Service. Caltrans contracts with Southern Pacific and AMTRAK to operate three passenger train services: the Peninsula Commute Service between San Francisco and San Jose, which will be transferred to the new Peninsula Rail Transit District after 1989-90; the San Joaquin, connecting Oakland and Bakersfield, with bus connections to many Central Valley communities and Los Angeles; and the San Diegan, which operates eight trains daily between San Diego and Los Angeles, with one train continuing to Santa Barbara.

Since 1982-83, the Administration has provided more than \$281 million, including more than \$92 million of state funds, for locomotives, rail cars and capital improvements for these commute services. For 1989-90, the Governor's Budget proposes \$20 million for improvements to the San Diegan line, including track, grade crossing and station improvements along the San Diego-Santa Barbara rail corridor, and \$7.6 million for improvements to the Peninsula Commute Service line.

As Figures 9-7, 9-8 and 9-9 demonstrate, both the ridership and the farebox ratio (i.e., the ratio of revenue to operating costs) have been increasing fairly steadily on these lines since 1982-83. From 1982-83 to 1987-88, the San Joaquin farebox ratio increased from 42 percent to 78 percent and ridership increased from 186,000 passengers per year to 341,000 passengers per year; the Peninsula Commute Service's farebox ratio increased from 36.9 percent to 40 percent and ridership increased from 4.9 million passengers per year to 5.6 million passengers per year. During the same period, the farebox ratio of the San Diegan increased from 59 percent to 105 percent and ridership increased from 1.1 million passengers per year to 1.7 million passengers per year. The San Diegan is one of the most successful intercity rail services in

"These strategies are intended to maximize the capacity of the current system, to reduce the number of vehicles using the highways, to minimize traffic delays caused by accidents, public events, and highway projects, or to reduce demand by encouraging ridesharing."

the country in this regard.

Local Transit Improvements.

As part of the ongoing program for Transit Capital Improvements, \$108 million will be provided to local transit authorities by the California Transportation Commission. These funds help various light rail projects around the state to acquire abandoned railroad rights-of-way, rehabilitate buses and construct transfer stations linking rail lines with other forms of transportation.

Local Participation. An increasing percentage of state highway improvement projects are being funded from a variety of local sources, including local sales tax initiatives and developer fees. In Orange County, these sources are soon to be supplemented by tolls collected from specially constructed toll roads. Local participation in state highway system improvements complements projects funded from state revenue sources. The Governor's Budget contains an additional 135 personnel years and \$10.8 million to strengthen the state's partnership with local government by providing Caltrans with the resources to perform preliminary engineering, environmental documentation, right-of-way acquisition, design, and construction

oversight on local projects. In total, 1,116 personnel years and personnel-year-equivalents from contractual services and \$95.1 million will be devoted to local-participation projects during 1989-90.

Maintenance. For 1989-90, the Governor's Budget proposes spending \$594 million and allocating 5,968 personnel years of Caltrans' workforce for maintenance. A major emphasis is on preventive maintenance for roadbeds, which includes sealing of cracks and resurfacing. The aim of preventive maintenance is to maximize roadbed life expectancy and avoid costly rehabilitation roadwork in the future. The maintenance program also provides roadside cleanup, which ranges from sweeping and litter removal to rodent control, and graffiti removal. The Governor's Budget proposes spending an additional \$1.4 million for these purposes in 1989-90. Caltrans also will expand its night maintenance efforts in order to reduce congestion and traffic delays caused by maintenance projects conducted during the day. The Governor's Budget proposes an additional \$1.3 million for this purpose in 1989-90.

Hazardous Waste Disposal and Spill Cleanup.

As part of its maintenance efforts, Caltrans works with hazardous chemicals and cleans up highway spills, many of which involve hazardous wastes. In 1987-88, Caltrans responded to more than 1,237 highway spill incidents, 368 of which involved hazardous waste cleanup. For 1989-90, the Governor's Budget proposes adding \$2.2 million to Caltrans' budget for disposal of Caltrans' hazardous wastes and for spill cleanup to provide a safe transportation system and protect the environment. Total funding for this activity in 1989-90 will be \$3.1 million, an increase of \$2.7 million over the level of funding provided in 1982-83.

Fast Track for Highway Construction.

Developing new highway projects is a complex task that often takes five years or more from start to finish. To expedite the process, since 1983-84, \$66.9 million has been invested in hardware, software and training for Computer Aided Design and Drafting (CADD) projects that both improve and accelerate project design. The Governor's Budget proposes an additional \$6 million to continue this automation effort. Caltrans' use of CADD is expected to reduce the

Figure 9-7

Rail Passengers on State-Supported Lines San Diego/San Joaquin

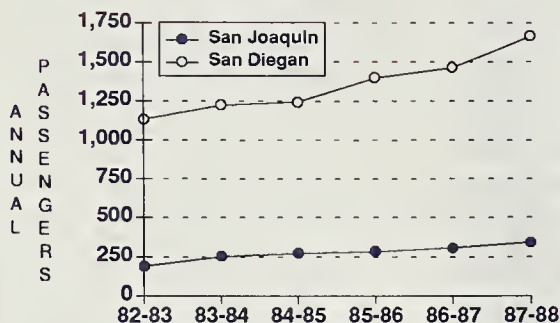
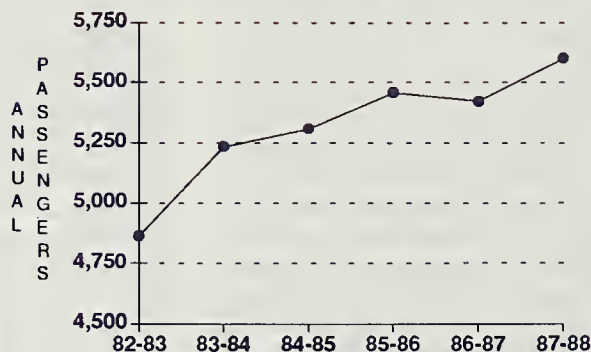


Figure 9-8

Rail Passengers on State-Supported Lines Peninsula Commute Service



amount of engineering time spent on existing highway projects by 428,000 hours in 1989-90 alone.

Figure 9-10 illustrates the strong commitment which has been made by Caltrans over the past six years to design and construct new highway projects. A record value of construction projects, \$1.1 billion dollar's worth, will be let during 1988-89. Another billion dollar's worth of projects will be let during 1989-90. When compared with 1982-83, the number of personnel years dedicated to highway construction in 1989-90 will be 2,265 greater, while the dollar value of contracts obligated for construction will have more than tripled.

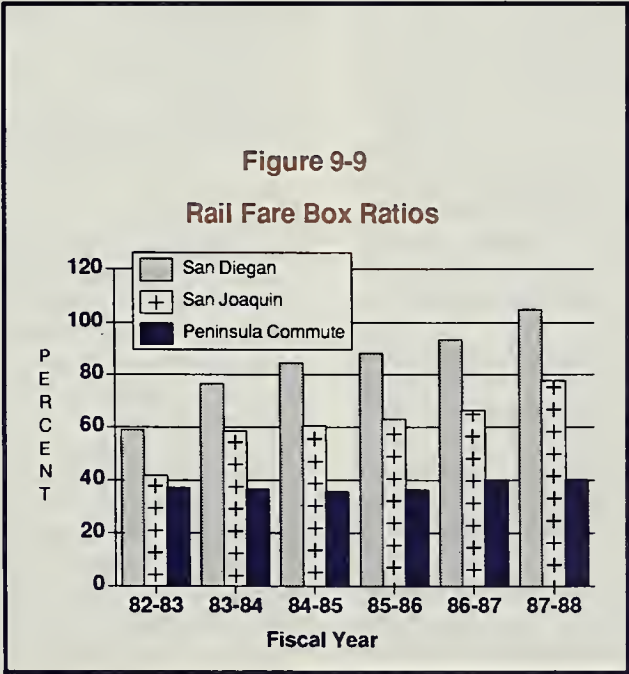
Construction Highlights. The Governor's Budget provides almost \$2 billion from all sources to fund about 275 major highway construction projects contained in the 1988 State Transportation Improvement Program. Construction taking place, or scheduled to take place, around the state shows the Governor's continuing commitment to transportation:

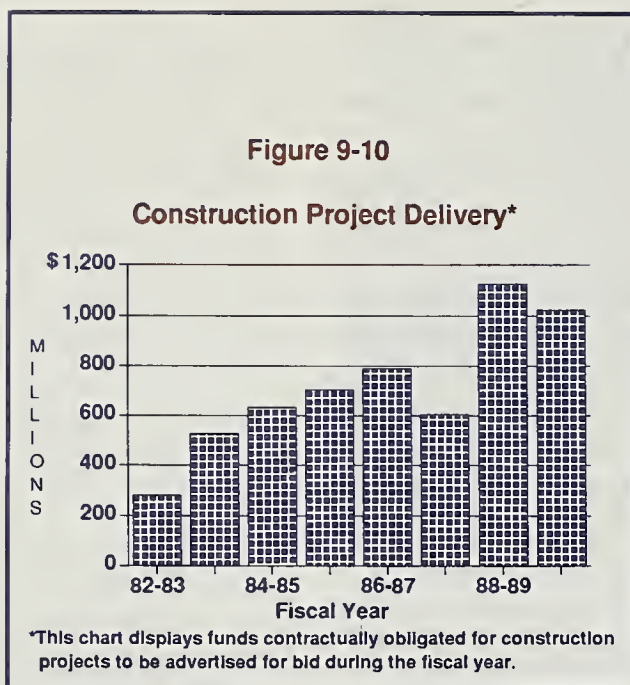
- \$238.4 million was committed to the construction of the Century Freeway on Interstate 105 in Los Angeles County which will connect four major freeways and im-

prove access to Los Angeles International Airport. This project is now 61 percent completed with final completion scheduled for 1993.

- A \$34 million widening of Interstate 80 through the City of Auburn is more than 50 percent completed.
- Two projects for \$23 million were awarded in 1988-89 to widen the heavily traveled Interstate 680 to six lanes from State Route 238 in Fremont to the Interstate 580/680 Interchange near Pleasanton.
- Actual construction of the new Santa Barbara Crosstown Freeway on State Route 101 is underway, at a cost of \$56 million.
- A \$23 million project to extend State Route 41 by more than 2 miles in Fresno was awarded during 1988-89.
- Three projects totaling \$45 million for major reconstruction of State Route 101 in Los Angeles are underway in 1988-89. A significant traffic management system was instituted to reduce traffic on the freeway during construction.
- \$168.7 million was awarded to widen and add High-Occupancy Vehicle Lanes (HOV) and Light Rail facilities on the Los Angeles

“The Governor’s Budget provides almost \$2 billion from all sources to fund about 275 major highway construction projects . . .”





Harbor Freeway, Interstate 110.

- Three projects on Interstate 15 totaling \$105 million are underway in Riverside County in 1988-89. These projects will create 10 miles of freeway between Corona and Norco.
- \$29 million was awarded to construct Interstate 215 and the State Route 30 interchange in San Bernardino County.
- \$22 million was provided for reconstruction of State Route 55 from Santa Ana to Tustin and for the Interstate 5/State Route 55 interchange in Southern California in 1988-89. In addition, \$45 million of freeway widening and construction projects on State Route 55 will be initiated in Orange County.
- Interstate 405 in Orange County will have \$59 million in freeway widening and sound walls from Interstate 5 in Irvine to the Los Angeles County line in Seal Beach.
- Two projects totaling \$70 million for freeway construction on Interstate 5 and State Route 54 began in Chula Vista and National City.
- A \$48 million project on Interstate 8 began in La Mesa and El Cajon

to construct an interchange and widen the freeway.

- In northern Shasta County \$40 million was awarded to convert a portion of Interstate 5 to full freeway standards.
- A \$21 million project was initiated on State Route 113 in Woodland.

Department of Motor Vehicles

Currently, there are more than 18.8 million licensed drivers and 24.7 million registered vehicles in California. The Department of Motor Vehicles (DMV) is responsible for processing all documents relating to driver licensing and registration of motor vehicles. As part of this responsibility, DMV collects revenue for various state and local government programs and provides information from its registration files. In addition, DMV issues personal identification cards; screens driver license applicants for driving competency; regulates drivers who become safety risks; and licenses occupations and businesses engaged in the manufacture, transport, sale and disposal of vehicles.

To enable DMV to carry out its many responsibilities, the Governor's Budget proposes \$424.2 million and

7,984 personnel years in 1989-90.

In 1989-90, licensed drivers and registered vehicles will have increased by 22 percent and 29 percent, respectively, since 1982-83. Because of these increases, and because of the Administration's desire to provide convenient, efficient public services, DMV has been exploring many new and innovative techniques aimed at both customer convenience and processing efficiency. Some of these techniques include:

Public Service. Since 1982-83, DMV has made great strides in improving services to the public. For example, there have been decreases in the number of complaints from the public and reductions in the average waiting time at DMV field offices. A survey of customer satisfaction conducted in DMV field offices for the month of November 1988 indicated that 88 percent of respondents did not have a long wait, while 60 percent of respondents indicated that service had improved since their last visit.

There also has been a marked decline in the number of required visits by the public to DMV field offices due to DMV's phone/mail appointment system. This system, begun in 1986-87, has provided easy and ready access to DMV's services by allowing the public to complete routine transactions by mail and by reducing the frequency of repeat visits to field offices.

Improvements are expected to continue with the increased efficiency of DMV employees being achieved through automation. For example, the automation of the vehicle registration and driver license system in 1988 has greatly reduced processing time. In the last year, DMV has reduced the time needed to process a driver's license by 40 percent to just under 9 days and the time needed to process a vehicle registration renewal by 10 percent to just over 10 days. In addition to reduced processing time, automation is reducing the number of state employees needed to serve the public. In total, since 1982-83, automation efficiencies have resulted in cost re-

ductions of about \$19.9 million and 788 personnel years.

A guiding philosophy of DMV has been to bring its services to the public and to make it as easy as possible for California's citizens to comply with registration and licensing laws. In keeping with this goal, the department has established smaller field offices in shopping centers and other areas convenient to its customers; authorized automobile clubs to register members' vehicles, collect fees, and issue license plates and stickers; established on-site registration centers at several major private employers such as Hughes Aircraft and Universal Studios; and offered extended office hours geared to the needs of local communities.

For 1989-90, the Governor's Budget continues the Administration's emphasis on convenience and efficiency by proposing an increase of \$689,000 and 21 personnel years to continue the current automation of vehicle registration by automobile clubs, and \$639,000 and 6 personnel years to begin the automation of vehicle registration by automobile dealers. It is anticipated that these automation projects will result in total savings of about \$2 million and 92 personnel years over the next four years. DMV also will be exploring the feasibility of providing direct services by mail or telephone, thereby avoiding the need for the public to visit DMV's offices and saving the public many hours of waiting time.

Public Safety. A primary responsibility of DMV is to provide for the safety of California's citizens on the roadways. DMV promotes highway safety by screening driver license applicants for driving competency. Also, through its driver control programs, the Department regulates those drivers who become safety risks by imposing appropriate driving privilege sanctions, e.g., license restriction, revocation or suspension. The Governor's Budget proposes \$46.7 million and 977 personnel years for DMV's public safety activities in 1989-90.

Pursuant to current law, DMV will be expanding its "pull-notice" program to include employers of all commercial vehicle drivers. Under the program, DMV provides the employer with the driving record of the employee and subsequent updates to that record as changes occur during the term of employment. Under another recent statute, DMV will be implementing sweeping changes in the methods used to test and license commercial vehicle drivers (primarily drivers of trucks and semi-trailers). DMV has been a leader in the development of more stringent testing and licensing procedures as well as the initiation of automated systems designed to establish unique personal identification. The Governor's Budget includes \$6.9 million and 163 personnel years to implement these statutes in 1989-90.

Another area of public protection involves the development of a driver's license which utilizes magnetic stripe technology similar to that used for credit cards. The use of this technology will not only improve processing efficiency and reduce public waiting time, but will also guard against counterfeiting and the unsafe and fraudulent use of drivers' licenses and identification cards issued by the Department. The Governor's Budget proposes \$2.1 million to initiate the use of the magnetic stripe technology in 1989-90.

Workload. To enable the Department to maintain its level of service in meeting increasing public demands brought on by expected increases in workload measures, i.e., licensed drivers and registered vehicles, the Governor's Budget proposes an increase of \$14 million and 284 personnel years in 1989-90. This augmentation will allow the relocation of seven field offices and the addition of three supplemental offices due to overcrowding in existing offices, as well as provide additional resources in the Department's major processing and customer service areas to address expected workload growth in 1989-90.

"A guiding philosophy of DMV has been to bring its services to the public and to make it as easy as possible for California's citizens to comply with registration and licensing laws."

Housing

Although the state's housing needs are addressed primarily by the private sector, the Governor's Budget provides a substantial amount of funding to address the housing needs of low- and moderate-income families. The departments with the responsibility for this activity are the Department of Housing and Community Development and the California Housing Finance Agency.

Department of Housing and Community Development

The Department of Housing and Community Development (HCD) offers a variety of programs and services designed to help provide safe and affordable housing for all Californians and to promote economic development of small communities. The Governor's Budget proposes \$276.6 million and 597 personnel years for the Department's program and services in 1989-90. The following are highlights of HCD's accomplishments and activities.

Health and Safety. HCD's Codes and Standards Program is responsible for the protection of the public's health, safety and general welfare related to residential and manufactured housing, mobilehomes, coaches and recreational vehicles. In addition, the program includes the administration and enforcement of occupational licensing requirements for manufacturers, salespersons, dealers, and distributors of mobilehomes, manufactured homes, and commercial coaches. In carrying out its responsibilities, the Department issued 5,000 occupational licenses and conducted 17,000 inspections of manufactured homes, mobilehomes, commercial coaches and recreational vehicles in 1987-88.

HCD also has responsibility for the Mobilehome Ombudsman Program, which was created in January 1987. This program was designed to resolve complaints and disputes from mobilehome park residents and park owners and operators. With 6,000 mobilehome parks throughout the state, the program received and

processed more than 21,400 telephone complaints and more than 900 written complaints during its first year of operation. Current forecasts are that complaints received and processed in 1988 will exceed these levels.

Housing. Through seven major housing finance programs, the Department provides technical assistance and financial assistance, in the form of grants and loans, to project sponsors that construct and rehabilitate housing; mortgage subsidies enabling low-income families to obtain housing; loans enabling residents to acquire ownership of mobilehome parks; financing of the construction of rental housing; and loans to enable project sponsors to acquire and rehabilitate group homes for the disabled, apartments for the elderly, and residential hotels for low-income households.

California annually is home to a large number of seasonal and migrant workers and their families. Housing for the workers is limited and frequently uninhabitable. In order to combat this statewide farm housing problem, the Department has provided more than \$25 million since 1983 to operate and rehabilitate state-owned agricultural housing centers. There are 27 migrant housing centers with more than 2,000 units, housing more than 6,500 farmworkers and their families. The Governor's Budget proposes spending \$5.3 million for this purpose in 1989-90.

In conjunction with the U.S. Department of Agriculture, the Department has spent \$19 million since 1982 for the construction of housing units for farmworkers. Currently, there are 12 additional projects in the planning stage. The Governor's Budget proposes \$2.5 million from the 1988 Housing and Homeless Bond Act for additional farmworker housing projects in 1989-90.

Housing for the homeless is a nationwide problem. California's Emergency Shelter Program provides direct grants to local governments and nonprofit corporations that shelter needy persons and families on an emergency basis. Since

the first year of the program in 1983, the Department has made 387 awards, totaling \$23.2 million. For 1988, the Department anticipates awarding more than \$3.6 million to more than 100 local agencies. In addition, the 1988 Housing and Homeless Bond Act allocates \$25 million for this program.

Community Development. HCD administers five community development programs that provide technical and financial assistance to rural communities and Indian tribes. For 1988-89, the Department will spend more than \$30.2 million for these programs, a 12.3 percent increase over 1987-88. Since 1982-83, the Department has allocated nearly \$156 million through 342 grant awards to about 150 local communities for housing rehabilitation, public facilities projects and economic development activities.

The Governor's Budget proposes an increase of \$500,000 in the HCD support budget to provide the state's share of the Community Development Block Grant administrative costs. However, due to the budget pressures brought about by Proposition 98, it is necessary to reduce General Fund expenditures for administration. Therefore, the budget also reflects a reduction of \$440,000, or 10 percent, of the administrative costs in this program area.

1988 Bond Acts. In June, California voters approved Proposition 77 which provides \$150 million in general obligation bonds for the rehabilitation of housing for low-income persons. Proposition 77 specifies that \$80 million of the funds are to be targeted for loans to reinforce masonry for multi-family residential structures; the remaining \$70 million is to be used to rehabilitate single and multi-family residences owned or occupied by low-income households.

In November 1988, California voters approved a second bond measure, Proposition 84, which provides \$300 million in general obligation bonds for housing. This measure provides \$200 million for the Rental Housing Construction Program to construct

affordable housing for low-income households. As illustrated in Figure 9-11, the remaining \$100 million is to be used for the Special User Housing Rehabilitation Loan Program (\$25 million), the Emergency Shelter Program (\$25 million), the Migrant Housing Program (\$10 million), the Home Purchase Assistance Program (\$25 million) and the Family Housing Demonstration Program (\$15 million). The Governor's Budget reflects the passage of these two measures by proposing the expenditure of \$151 million during 1989-90.

California Housing Finance Agency

The California Housing Finance Agency (CHFA) helps to make housing for low- and moderate-income families more affordable by selling tax-exempt bonds and using the proceeds to finance housing at below-market rates. From fiscal

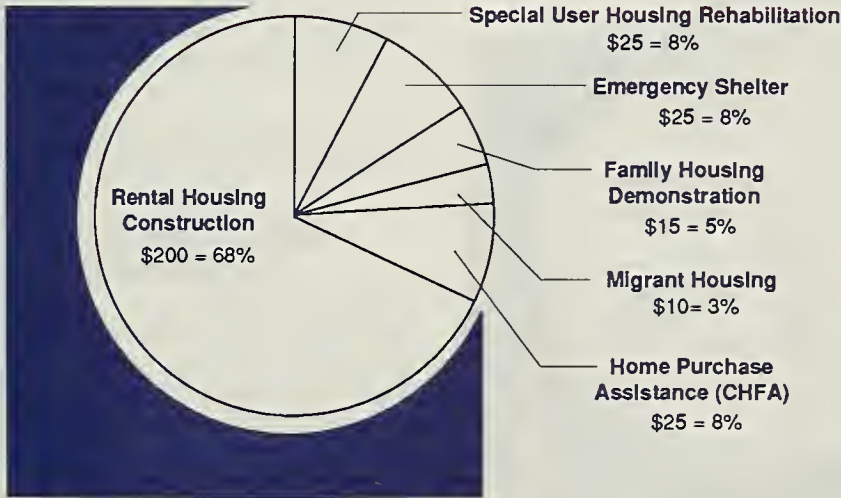
years 1982-83 to 1987-88, the CHFA made loans of more than \$1.6 billion and was responsible for more than 25,000 housing units being made available to low- and moderate-income households. CHFA projects that it will make additional loans totaling \$600 million, resulting in 7,000 additional housing units being available during 1988-89. Similar totals are expected for 1989-90.

“ . . . the Governor’s Budget provides a substantial amount of funding to address the housing needs of low- and moderate-income families.”

Figure 9 - 11

California Housing and Homeless Bond Act of 1988

(Dollars in Millions)





The Resources Agency is responsible for programs relating to the management, preservation, and enhancement of California's air, water, and land resources; its wildlife and recreational resources; and general coordination of environmental resource protection and development programs.

The Governor's Budget proposes total expenditures of \$1.4 billion for the agency's programs for state operations and local assistance, as reflected in Figure 10-1 and summarized in Table 10-1.

In the area of General Fund state operations, most departments will receive minimal, if any, increases and will, therefore, need to increase operating efficiencies and absorb inflation costs. In addition, if the Administration is unsuccessful in achieving savings through legislation, as discussed in the Policy Perspective section of this Summary, further reductions will be required.

The major programs within the Resources Agency are described below.

Department of Parks and Recreation

The Department of Parks and Recreation is responsible for acquiring, preserving, developing and managing the natural, cultural and recreational resources in the State Park System and the State Vehicular Recreation Area and Trail System.

The State Park System consists of 277 individual units, including 40

units administered by local and regional park agencies. These park units contain approximately 1.4 million acres, 292 miles of ocean and bay frontage and 684 miles of lake, reservoir and river frontage. Over 75 million visitor-days are expected in 1989-90.

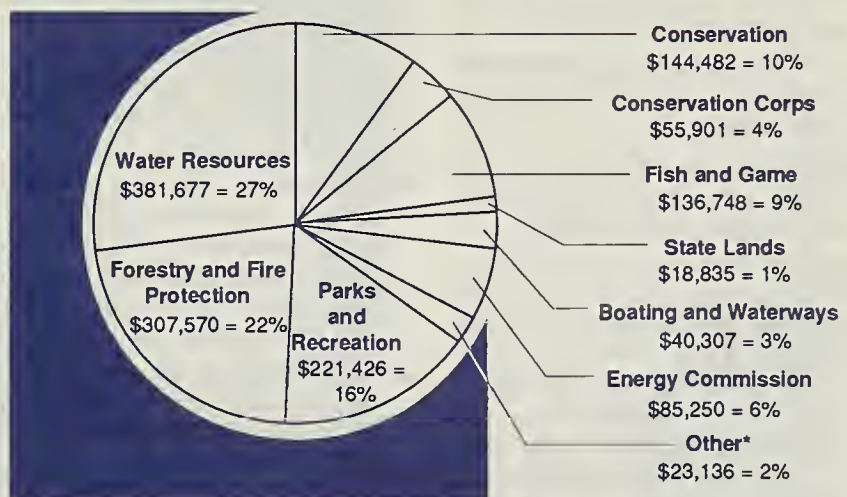
The State Vehicular Recreation Area and Trail System includes 49,000 acres in seven units. Over 1.4

million visitor-days are expected at these seven units in 1989-90.

The Governor's Budget proposes an expenditure level of \$280.4 million which includes \$161.5 million and 2,876 personnel years for support of state operations, \$60 million for local assistance grants and \$58.9 million in capital outlay projects in 1989-90. Significant program changes include:

Figure 10 - 1

Natural Resources Proposed 1989-90 Expenditures All Funds (Dollars in Thousands)



*Refer to Table 10-1 for identification of Other departments.

Table 10-1

**Natural Resources
Proposed 1989-90 Expenditures**

**(In Thousands)
All Funds**

	<i>Total State Operations and Local Assistance</i>	<i>General Fund</i>
Agency Secretary	\$1,446	\$1,338
Boating and Waterways	40,307	269
California Tahoe Conservancy	2,633	799
Coastal Commission	8,834	5,818
Coastal Conservancy	3,970	0
Colorado River Board	843	270
Conservation	144,482	14,604
Conservation Corps	55,901	40,502
Energy Commission	85,250	0
Fish and Game	136,748	8,191
Forestry and Fire Protection	307,570	216,273
Parks and Recreation	221,426	83,124
Santa Monica Mountains Conservancy	642	207
SAFE-BIDCO	189	0
S. F. Bay Conservation and Development Commission	1,857	1,622
Special Resources	1,891	1,302
State Lands	18,835	14,805
Water Resources	381,677	46,650
Wildlife Conservation Board	831	0
Total	\$1,415,332	\$435,774

- \$1.4 million and 21 personnel years funded from the State Park and Recreation Fund for the operation and maintenance of new and expanded park facilities.
- \$100,000 to produce a statewide Off-Highway Vehicle (OHV) guidebook.
- \$300,000 for local assistance projects from the Environmental License Plate Fund (ELPF).
- \$21.2 million from a variety of General Obligation bond fund sources (\$14.6 million), the OHV Fund (\$6.5 million), and SPRF—the State Park and Recreation Fund (\$100,000) for 24 projects, including six new construction projects and three acquisition projects.

Proposition 99. Along with the significant changes listed above for 1989-90, the following are also proposed for appropriation from the Public Resources Account of the Cigarette and Tobacco Products Surtax Fund established through the passage of Proposition 99 in the November 1988 election:

- \$6.5 million for one-time costs, including major telecommunications equipment purchases (\$1 million), park road repair backlog (\$4.8 million), and equipment for new park facilities (\$694,000).
- \$7.5 million for Roberti-Z'berg-Harris Urban Open-Space and Recreation Program local assistance grants.
- \$4.4 million for minor capital outlay projects in state park units

(\$3.8 million) and for beach erosion control projects at state beaches (\$592,000).

Proposition 70. In June 1988, the voters approved the California Wildlife, Coastal, and Park Land Conservation Act (Proposition 70). Proposition 70 established two programs to further the protection, preservation and enhancement of the state's natural lands and recreational opportunities—the California Wildlife, Coastal, and Park Land Conservation Program (\$726 million) and the Wildlife and Natural Areas Conservation Program (\$50 million).

Proposition 70 was placed before the voters through the initiative process. Unlike any previous initiative which required legislative appropriations to authorize the expenditure of General Obligation bond funds, Proposition 70 also made direct appropriations from the General Obligation bond funds. Of the \$776 million available for the programs authorized by the proposition, \$414.3 million was directly appropriated by the initiative.

From the \$776 million authorized by the proposition, \$16 million is allocated for State Operations, \$381.4 million for Local Assistance grants (including \$25 million for the County of Monterey), and \$378.6 million for capital outlay projects. In addition, the initiative generally identifies allowable percentages from the Local Assistance and Capital Outlay allocations which may be used for administrative costs.

Of the \$726 million available for the California Wildlife, Coastal, and Park Land Conservation Program, \$79 million will be expended in 1988-89 (from the direct appropriations), including \$29 million for local park and recreation grants and \$38.8 million for various state capital outlay projects. In 1989-90, \$136.4 million is proposed for expenditure for the various elements authorized in the program. In 1988-89, \$5.7 million will be expended for the Wildlife and Natural Areas Conservation Program, with \$20.1 million proposed for 1989-90.

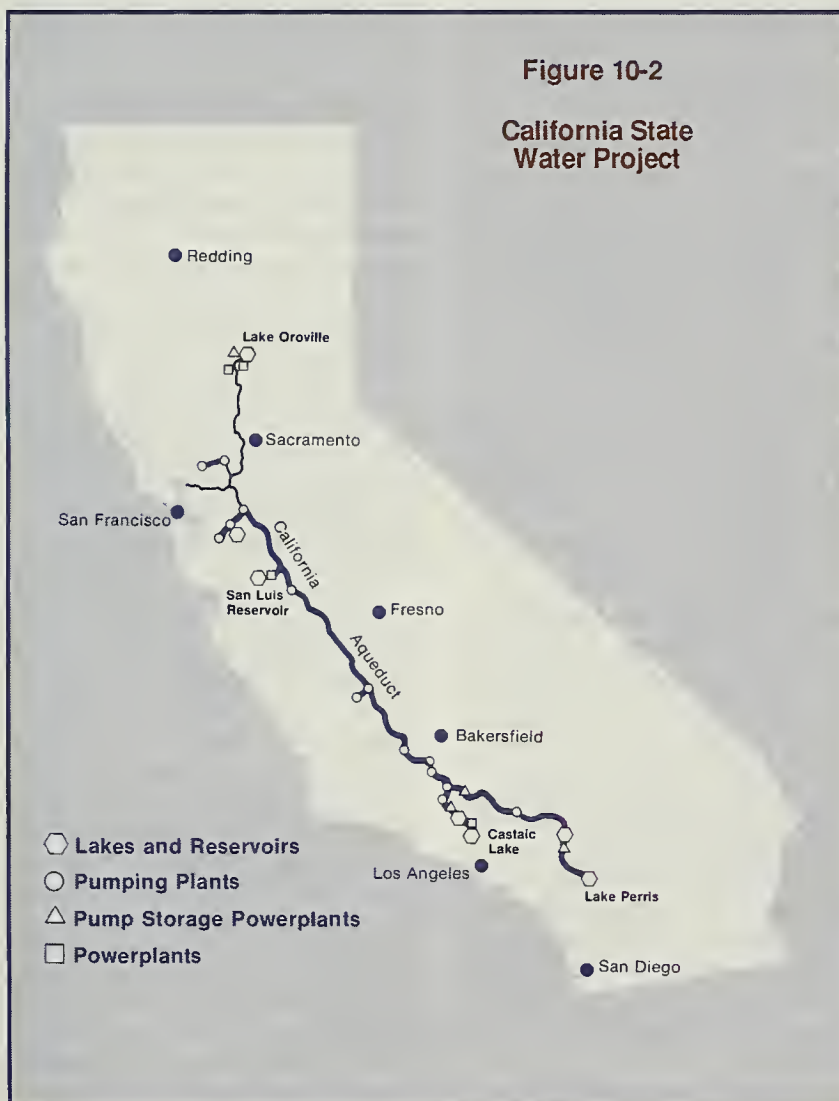
Details of the proposed expenditures can be found in the budget displays of the various departments which are responsible for administration of these programs, i.e., the Departments of Forestry and Fire Protection, Fish and Game, Parks and Recreation, and Water Resources; Wildlife Conservation Board; State Coastal Conservancy; and Santa Monica Mountains Conservancy.

Department of Water Resources

The role of the Department of Water Resources (DWR) is to protect, conserve, develop and manage Cal-

ifornia's water. The Department is responsible for supplying water for personal use, irrigation, industry, recreation, power generation, and fish and wildlife. The primary means of accomplishing this is through the California State Water Project, illustrated in Figure 10-2. The Department also encourages flood plain management, assures public safety by maintaining and operating flood control facilities under its jurisdiction, manages flood control facilities under its jurisdiction, and provides flood warning information as flood threats develop. Protecting public safety by supervising the construction, maintenance and operation of

Figure 10-2
California State Water Project



"In 1988, the Governor signed legislation which commits the state to a ten-year, \$120 million effort to rehabilitate Delta levees and other flood control works."

more than 1,000 dams under state jurisdiction also is a function of the Department.

As part of the overall plan for budget development, given the limited General Fund resources, an unallocated reduction of \$1 million has been made in the Department in the program area of Continuing Formulation of the California Water Plan, which will not affect public safety-related activities. After this adjustment, the Governor's Budget for 1989-90 proposes \$381.7 million and 2,654 personnel years for state operations and local assistance. This represents an increase of 17.6 percent from the 1988-89 level, primarily reflecting increases in local assistance expenditures from the California Safe Drinking Water Fund of 1986 and the Delta Flood Protection Fund.

Suisun Marsh. The Department of Water Resources completed the Suisun Marsh Salinity Control Gates in 1988 as a key part of the plan of protection for the marsh. This project represents a significant expenditure by the State Water Project to mitigate the adverse effects of all upstream diversions, including those of the State Water Project and the Central Valley Project, on the water quality in the marsh.

From 1983 to July 1988, \$31 million was spent on this project. Funding sources included the State Water Project and reimbursements.

Trinity River Fisheries Restoration. Following completion of the Trinity River Project by the U.S. Bureau of Reclamation, there was a substantial decline in salmon and steelhead runs in the Trinity River. The Trinity River Basin Fish and Wildlife Task Force was formed to restore the fishery. There are 14 members, including federal agencies, Department of Water Resources, Department of Fish and Game, local agencies and environmental representatives.

As part of the restoration program, sediment dredging around the mouth of Grass Valley Creek, restoration of spawning riffles and pools in the upper Trinity River, and mod-

ification of the Trinity River Fish Hatchery have resulted in a substantial increase in returning salmon and steelhead during recent years.

Since 1983, \$4.4 million from the Environmental License Plate Fund and General Fund have been spent for the Department's matching share of the project. This ongoing project involves the cooperation of the Department of Fish Game, Congress, the U.S. Bureau of Reclamation and environmental organizations.

Fish Agreement. The Department of Water Resources recognizes the potential negative impacts on fish habitat caused by water development projects. Consequently, the Department has provided significant resources and made gains in cooperation with other state and federal resource agencies to ensure the rehabilitation of habitat.

An example of these measures is a project which mitigates the impact the Harvey O. Banks Delta Pumping Plant has on fish in the Delta. The Department entered into an agreement with the Department of Fish and Game, which provides for \$15 million to pay for reduction of fish populations caused by past State Water Project operations, for replacement of annual fish losses, and establishes operating guidelines for the future operation of State Water Project fish facilities. More than \$3.3 million of State Water Project funds were used for this project.

San Joaquin Valley Agricultural Drainage Program. Salty drainage water resulting from irrigation in the San Joaquin Valley must eventually be disposed of to prevent harm to the land.

When irrigation water is not drained off, the ground water table rises, which reduces crop yields and can result in land being withdrawn from production. This problem has been compounded significantly in the past five years by the discovery at Kesterson Reservoir that selenium in some drainage water is toxic to waterfowl.

Investigations to date indicate that any long-range agricultural drainage plan for the valley's western

side should include various combinations of irrigation management and treatment of drainage water.

The San Joaquin Valley Interagency Drainage Investigation is scheduled to release its final report in 1990.

Since 1983, over \$21.6 million from the State Water Project/California Water Fund, Environmental License Plate Fund and the General Fund have been spent on these programs.

Delta Water Management. During the past several years, the Delta experienced problems that include frequent flooding due to deteriorated and unstable levees, flow patterns that are unfavorable for fish and water quality, and water level and circulation patterns that hinder irrigation.

In 1988, the Governor signed legislation which commits the state to a 10-year, \$120 million effort to rehabilitate Delta levees and other flood control works.

State Water Project Offset Program. The 1989-90 fiscal year will mark the beginning of a program of repayments and offsets to retire the accumulated debt obligation among the California Water Fund, the General Fund and the State Water Project. The Administration will sponsor a measure early in the new legislative session to offset the General Fund accrued obligation to the State Water Project for costs of recreation and wildlife enhancement against the State Water Project's repayment obligation to the California Water Fund for costs of project construction.

Currently, the General Fund owes approximately \$195 million, including \$10 million for Suisun Marsh environmental mitigation, while the State Water Project owes \$432 million. After this initial offset, the proposed measure will provide that the remaining State Water Project debt of \$237 million be retired by annual offset adjustments equal to the yearly General Fund obligation for ongoing capital and maintenance costs of recreation and wildlife enhancement.

In addition, and depending upon the availability of State Water Project revenues, funds will be periodically transferred by the Department of Water Resources to the California Water Fund under the repayment provisions of the Burns-Porter Act. These funds will then be available for appropriation.

The Governor's Budget proposes the appropriation of \$12 million in 1989-90 from the Delta Flood Protection Fund, which funds are transferred from the California Water Fund, for Delta Levee Improvements. As part of this agreement, the Department of Water Resources will transfer \$12 million to the California Water Fund for this purpose in 1989-90, and estimates that similar amounts will be available for at least the following two fiscal years. These transfers will provide the funding source for the Delta Levee Improvement Program (Chapter 28, Statutes of 1988) and, at the same time, contribute toward retiring the State Water Project's remaining obligation to repay the California Water Fund.

For 1989-90, the following significant budget adjustments are proposed:

- \$15.9 million to provide local assistance loans for construction of water conservation and ground water recharge projects under the provisions of the Water Conservation and Water Quality Bond Law of 1988.
- \$13 million from the General Fund for flood control subventions to locals because of the decrease in tidelands oil revenues.
- \$11 million to continue local assistance grants and loans for drinking water system construction, improvement, or rehabilitation as provided for in the Safe Drinking Water Bond Law of 1988.
- \$1.1 million from the Tobacco Tax and Health Protection Act of 1988, commonly referred to as "Proposition 99", for the safety and prevention of damage program which provides for flood control projects, including the state's share of various federal projects, such as stream channel improve-

ments and enlargements, debris removal, and riparian and river-bank protection.

- \$690,000 to support American River and Sacramento Metropolitan Area flood studies.
- \$381,000 and 2 personnel years to continue preparation for a settlement of California/Nevada water rights issues.
- \$182,000 increase to continue the Department's share of the Trinity River Restoration Project.

Department of Fish and Game

The Department of Fish and Game is mandated with the responsibility of managing California's rich diversity of fish and wildlife and wildlife habitats for the continued use and enjoyment of these natural resources for future generations. In fulfilling this responsibility, the Department manages 63 wildlife areas, 59 ecological reserves, 25 inland and anadromous fish hatcheries and, since 1983, has acquired more than 82,000 acres of wild land in order to preserve these natural resources for future generations.

Wildlife habitat is maintained for a multitude of purposes, including wildlife breeding and nesting, protection of rare and endangered species and unusual ecological communities. The Department has made a concentrated effort to restore fish and wildlife habitats to encourage and enhance commercially and recreationally important species. These restoration projects contribute to the economic health of California by increasing angling, hunting and other outdoor recreational use. Since 1983, the Department has spent approximately \$31.7 million for projects designed to remove barriers to salmon and steelhead spawning areas, enhance deer ranges and increase wetland and riparian habitats.

As California's population has grown, so have the challenges of managing the state's natural resources. The public attitudes toward wildlife management have changed significantly, thus requiring the De-

"The public attitudes toward wildlife management have changed significantly, thus requiring the Department to provide programs designed to meet the needs of nonconsumptive users of fish and wildlife resources."

partment to provide programs designed to meet the needs of non-consumptive users of fish and wildlife resources. In response to the public's demand for new programs that address the needs of birdwatchers, wildlife photographers, hikers, students and a multitude of others concerned about environmental quality and preservation of rare or endangered species, the Department of Fish and Game has instituted a new program to encourage wildlife viewing and non-consumptive recreation at state wildlife areas and ecological reserves. Known by the slogan "Save Our Wild Places", this program will encourage outdoor recreationists to buy \$2 day passes or \$10 annual passes to wildlife areas to view wildlife such as white pelicans, tule elk, and migratory waterfowl in natural settings. By purchasing these passes, non-hunters and non-anglers will, for the first time, be able to contribute directly as "nonconsumptive" users and help contribute towards the management of wildlife programs.

As part of the overall plan for budget development, given the limited General Fund resources, an unallocated reduction of \$500,000 has been made to the Department. After this adjustment, the Governor's Budget for 1989-90 proposes \$136.7 million and 1,703 personnel years for support of the Department's programs. Major expenditure proposals include:

- \$3 million from the California Wildlife, Coastal, and Park Land Conservation Act of 1988 (Proposition 70) for restoration and enhancement of wild trout and native steelhead habitat.
- \$2.9 million for the full year costs of the "Save Our Wild Places" authorized by Chapter 1539, Statutes of 1988, to provide expanded recreational programs on the Department's lands and to provide a permanent funding base for such programs.
- \$1.6 million for the planning and construction of improvements at two fish hatcheries, for minor projects at 10 Department facilities,

and planning funds for a building to repair fish screens and fish ladders.

- \$1.1 million and 16 personnel years to establish three roving fish and wildlife habitat improvement crews. These crews will focus on habitat improvements on undeveloped lands owned by the Department.
- \$1 million from Proposition 70 to purchase additional patrol aircraft and marine patrol vessels.
- \$500,000 and 1 personnel year to purchase a sea-going research vessel to enhance the current research program which monitors populations, sizes and fluctuations of marine fish, shellfish and plants.
- \$214,000 to implement a water marketing program designed to purchase and/or develop new water supplies to benefit fisheries and wildlife habitats.

Proposition 99. Pursuant to a provision of the Tobacco Tax and Health Protection Act of 1988, revenues shall be allocated for programs which protect and enhance fish, waterfowl, and wildlife habitat areas, and enhance state and local park and recreational resources. For the Department of Fish and Game, the Governor's Budget proposes the following expenditures:

- \$3 million to implement the Waterfowl Habitat Preservation Program for restoring and protecting waterfowl habitat on private lands, and implementing the North American Waterfowl Management Plan.
- \$2.8 million for the restoration and enhancement of wild trout and native steelhead habitats, in addition to the \$3 million from Proposition 70, for a total funding level of \$5.8 million.
- \$775,000 for support of the Cooperative Salmon, Steelhead North Coast projects. These projects are all designed to improve anadromous fish populations.
- \$465,000 to provide 10 additional Warden positions for the Wildlife Protection Division of Region 5,

located in the Long Beach area. These additional positions will work to ensure the protection of fish, waterfowl, and wildlife habitat.

Department of Forestry and Fire Protection

The California Department of Forestry and Fire Protection (CDF) fulfills the state's responsibility to provide fire prevention and suppression for approximately 36 million acres of privately-owned wildlands and administers local government fire protection under contract. The Department also regulates logging practices on private forestland, provides advisory assistance to landowners on forest management, regulates controlled burning of brushlands, and manages seven state demonstration forests and three state nurseries.

The Governor's Budget for 1989-90 proposes \$307.6 million and 4,286 personnel years for state operations and local assistance programs.

Fire Safe Program. The Department has reached a significant milestone in the creation of the Fire Safe Program which takes direct action to reduce the loss of natural resources and homes threatened by wildfire. Since the 1960s, when more people began to move to rural California, the problem of homes intermixed with highly flammable wildland has increasingly dictated wildland fire control strategies. The Fire Safe Program addresses this problem through a comprehensive program of outreach, education and regulation. The Department's mass media program developed a partnership with private industry in presenting prevention and intervention messages to the public. Additional outreach and educational programs have developed partnerships among professionals and fire agencies that will promote prudent home and subdivision design with built-in wildland fire protection. A series of workshops during 1988 brought these involved individuals together and a coordinated marketing approach is now built into the educa-

tional and awareness programs that target rural homeowners and communities.

Fire Protection. Because of drought conditions, the 1988 fire season was very severe. In response, the Department's fire suppression forces were augmented to maintain peak staffing levels as well as extend into the fall period to deliver a powerful, aggressive initial attack. During the month of September, a series of three wildland fires in Northern California blackened nearly 78,000 acres and destroyed 532 structures, including 161 homes. One of these fires, referred to as the 49er fire, caused the most significant damage. The 49er Fire ranks third on record for structures lost in California of 504, including 148 homes. Over 33,000 acres were destroyed and damages totaled \$22.7 million. This is the single most devastating fire to structures in CDF's history. The primary causes of wildland fires during the 1988 fire sea-

son, through September 30, 1988, are reflected in Figure 10-3.

Additionally, the Department supported fire control operations at Yellowstone National Park in September. Specifically, personnel were provided in management and crew leadership assignments in the fire control effort.

1988 Forest and Rangeland Resources Assessment.

This is a 10-year project jointly managed by the University of California and the Department and is designed to rapidly develop and extend new hardwood management technologies. Research projects are designed to provide knowledge for managing hardwood rangeland for multiple uses and assure sustainability of hardwood resources.

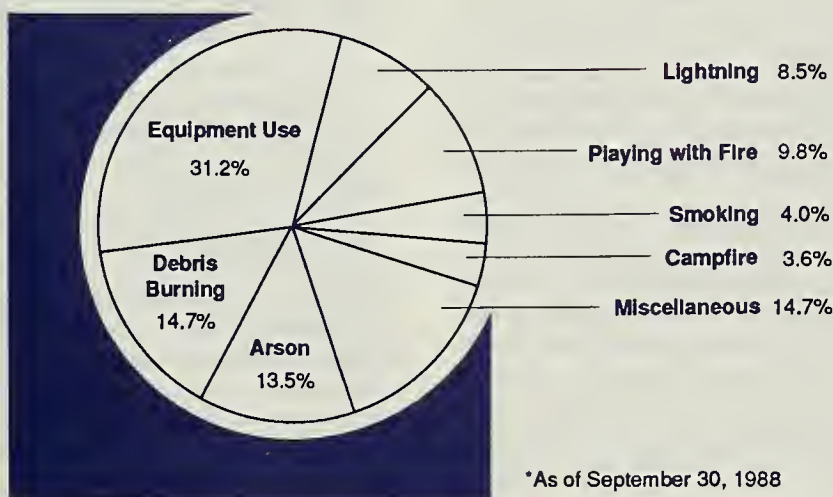
Managing these resources for multiple uses will assure the protection of game and nongame species and threatened and endangered plants and animals, as well as enhancement and restoration of fish and

"The Department has reached a significant milestone in the creation of the Fire Safe Program which takes direct action to reduce the loss of natural resources and homes threatened by wildfire."

Figure 10 - 3

Wildland Fires State Zone

**Preliminary Fire Cause
1988 Fire Season***



*As of September 30, 1988

wildlife habitat and related water quality in hardwood rangelands.

For 1989–90, the following significant budget changes are proposed:

- \$5.8 million and 117 personnel years to reflect increases in the level of fire protection services provided to local entities under contractual agreements.
- \$668,000 (\$35,000 State Operations and \$633,000 Local Assistance) and 2 limited-term personnel years through June 30, 1992 to fund urban forestry projects.

Proposition 99. The following increases are proposed for funding from the Cigarette and Tobacco Products Surtax Fund:

- \$4 million for the planning and construction of seven major and 13 minor capital outlay projects. The projects will reduce the fire/life/safety risks to Department personnel and correct the functional obsolescence of many CDF facilities. In addition, the projects will help the Department enhance its fire fighting mission which helps to reduce the destruction of fish and wildlife habitat.
- \$1 million for the first year of a two-year program to replace the UH-1F helicopter fleet with the newer UH-1H model in order to better protect fish and wildlife habitat.
- \$922,000 and 2 personnel years to provide for maintenance cost increases and increased quality control inspections on maintenance contracts in the fixed wing air program in order to better protect fish and wildlife habitat.
- \$820,000 and 2 limited-term personnel years through June 30, 1990 to meet the most critical telecommunications needs in support of the fire fighting mission and thereby protecting fish and wildlife habitat.
- \$753,000 for improvement of forest lands and enforcement of timber harvest regulations under the California Environmental Quality Act and the Forest Practice Act

for protection, restoration and maintenance of fish and wildlife habitat.

- \$520,000 and 7 personnel years for workload increases related to timber harvest plans under the Forest Practice Act and the California Environmental Quality Act for the protection, restoration and maintenance of fish and wildlife habitat.
- \$300,000 for expansion of the fire prevention mass media program in order to better protect fish and wildlife habitat.
- \$143,000 for operating costs for the UH-1F helicopter fleet which protects fish and wildlife habitat.

Department of Conservation

The Department of Conservation encourages the proper management of the state's land, energy and mineral resources. Additionally, the Department investigates and disseminates information related to natural hazards such as seismic and volcanic activity and geologic slides. The Department's services and information are used in making land use decisions, as well as decisions regarding facility sitings, the regulation of energy resources and the protection of the state's agricultural lands and open space resources.

As part of the overall plan for budget development, given the limited General Fund resources, an unallocated reduction of \$500,000 has been made to the Geologic Hazards and Mineral Resources Conservation Program. After this reduction, the Governor's Budget for 1989–90 proposes a total funding level of \$144.4 million and 492 personnel years.

Recycling Program. During the last several years, the Department of Conservation's responsibilities have been expanded to include the new Division of Recycling. The Department, through this Division, has implemented the California Beverage Container Recycling and Litter Reduction Act of 1986. Implementation included hiring over 100 staff; regulation development; certification of recycling centers; awarding

of grants and contracts for litter abatement, recycling and related activities, public information, education and promotion; establishment of a payment and reporting system for collection and disbursement of the container redemptions; calculation of container processing fees; as well as development and streamlining of enforcement activity procedures. As a result of the Department's efforts under this program, approximately 67 percent of all aluminum beverage containers are currently being recycled.

The Division of Recycling Program is funded by the Beverage Container Recycling Fund, collected from beverage container distributors' payments of redemption values. In 1987–88, approximately \$92.9 million was distributed from the Fund. Approximately \$8.2 million of the Fund was expended for administrative costs in program implementation. The remainder of the Fund was expended for redemption value payments or deposited in the Redemption Bonus Account, which is used to provide additional incentive funding to further stimulate recycling activities.

Proposed expenditures for 1989–90 include the following:

- \$795,000 augmentation and 19 personnel years from the California Beverage Container Recycling Fund to enhance the Department in the area of enforcement and audit data management, recycling information education and promotion for litter abatement and recycling activities.
- \$179,000 and 4 personnel years in the Division of Oil and Gas' Long Beach and Bakersfield offices to provide additional resources for inspection of abandoned oil and gas wells in Southern California.
- \$50,000 in one-time funding for a Williamson Act Assessment Study to determine alternatives to the current formula (capitalization rate) used to assess properties.

California Conservation Corps

The California Conservation Corps (CCC) carries out a dual mission: the conservation and development of the state's natural resources and the employment of California's young men and women in a work ethic and training program. In matching up youth and the environment, the CCC provides substantial benefits to both.

The Corps currently has 17 residential centers and, in the last six years, has developed more than 30 satellite facilities to better reach and serve all parts of the state. With the support of this Administration, the CCC was made a permanent state department in 1983.

Since 1983, nearly 19,000 young people have participated in the CCC program. In the last six years, the CCC has provided more than 27 million hours of public service conservation work throughout California, with some impressive achievements: 3.5 million trees have been planted; 400 miles of North Coast streams have been cleared or reopened; 2 million hours have been devoted to park improvement; 900 miles of trails have been constructed or rebuilt; and, 1.5 million hours have been contributed to energy conservation projects, including the energy auditing of 3.5 million square feet of state buildings.

The Governor's Budget for 1989-90 proposes \$55.9 million and 428 personnel years for support of the Corps program.

Emergency Response. The CCC serves as one of the state's premier emergency response forces, sending corpsmembers where needed within hours of a natural disaster. During the devastating floods of 1986, the CCC called out more than 1,100 young people — the largest flood-fighting effort in the history of the Corps. More than two million sandbags were filled and placed by the CCC to protect homes and farmlands against rising waters. Corpsmembers also took to the fire

lines during major fires in Northern and Southern California in 1985, 1987 and 1988.

Corpsmember Development.

Along with the vital natural resource work, corpsmembers spend several nights a week pursuing educational and career opportunities. The CCC has strengthened its evening program in the last five years, adding learning and work competency requirements, tied to merit pay increases. Nearly 3,000 corpsmembers have earned the merit increases since the incentive program was initiated in 1986.

For those corpsmembers who haven't completed high school, basic education and GED classes are included in the CCC program during evening hours. The Corps has initiated a partnership with the California Community College system that allows corpsmembers to enroll in community college classes, with the CCC providing the tuition for up to 20 units.

After successful completion of a year in the Corps, CCC graduates may select either a \$500 bonus, or \$1000 scholarship to assist them in pursuing their education after leaving the Corps. The scholarship/bonus option, established in 1986-87, has provided many scholarship payments to CCC graduates.

Local Impact. In addition to their natural resource work and classroom time, corpsmembers have increasingly become active as volunteers during evenings and weekends. Since 1985-86, corpsmembers have contributed almost 40,000 hours to their local communities by collecting canned goods, donating blood and helping out at senior centers.

Since 1985, new local conservation corps programs have been developed with assistance from the state CCC. A majority of these six local corps are nonprofit entities, operating with private sector monies, foundation grants and matching state funding, and focusing on the needs of disadvantaged youth in urban areas.

“As a result of the Department’s efforts under this program, approximately 67 percent of all aluminum beverage containers are currently being recycled.”

The success of the CCC has encouraged the development of other youth corps programs, with local, state, and foreign governments looking to the California Conservation Corps as the model for their own programs. The CCC has benefited from an exchange of ideas with these developing programs, and has organized exchanges of work crews with corps in Michigan, Ohio and New York, as well as Canada, Great Britain and Australia.

The CCC's efforts have been recognized by both governmental organizations and the private sector. Among the many honors the department has received are the United Nations' Environmental Medal (1985), and the national Chevron Conservation Award (1988).

In 1989-90, the Governor's Budget proposes \$242,000 and 7 personnel years to create a Tahoe Service Area with a fully functioning center located at the present satellite facility in the South Lake Tahoe area. Of this total funding, \$210,000 will be provided from the Public Resources Account of the Cigarette and Tobacco Products Surtax Fund.

California State Coastal Conservancy

The California State Coastal Conservancy was created to assist in the preservation of sensitive or unique coastal property and public access, resolve coastal land use disputes by preparing habitat and development plans for both coastal development and preservation, prepare funding packages and provide grants for various coastal facilities.

The Coastal Conservancy's program of acquiring sensitive coastal land from willing sellers has resulted in the acquisition of over 14,250 acres of land whose preservation has been found to be of significant public interest.

Over the past six years, the expenditure of more than \$68.4 million has been authorized for the Coastal Conservancy acquisitions and assistance projects. From 1983 through the fall of 1988, approximately \$33.2 million was devoted to

land acquisitions in the coastal area. Another \$35.2 million was invested in such nonacquisition projects as renewal, development or rehabilitation of urban waterfronts, fishing facilities for commercial and sport fishermen.

The Coastal Conservancy funds have considerable leverage power. The \$68 million it has authorized was directed to projects whose total value is estimated at \$168 million. In the process, the Coastal Conservancy has generated significant public and private financial participation in its projects, thereby enabling its own funds to go further for more projects.

The 1989-90 Governor's Budget proposes \$3.9 million and 47 personnel years for the support of the Coastal Conservancy, including:

- \$14.3 million for the Conservancy's ongoing programs which include agricultural land preservation, coastal restoration, public access, site reservation and resource enhancement. Of this amount \$6.75 million will be funded from the California Wildlife, Coastal, and Park Land Conservation Act of 1988 (Proposition 70).
- \$6 million for acquisition of natural lands, coastal wetlands, and coastal dunes which were directly appropriated to the Conservancy in Proposition 70.

Wildlife Conservation Board

The Wildlife Conservation Board was created by the Legislature in 1947. The Board's primary responsibilities include acquiring property for the purpose of protecting and preserving wildlife while providing fishing, hunting and recreational access to the people of California.

The Governor's Budget for 1989-90 proposes \$831,000 and 13 personnel years for support of the Board's program.

Propositions 70 and 99. To further the mission of the Board, the 1989-90 Governor's Budget provides the Board with proceeds from the Tobacco Tax and Health Protec-

tion Act of 1988, (Proposition 99) and the California Wildlife, Coastal, and Parkland Conservation Act of 1988, (Proposition 70). Specifically, \$40.3 million has been proposed for the following:

- \$25.3 million for the acquisition, enhancement, restoration, or the development of wildlife habitat, public access to coastal fishing piers, and minor projects. A total of \$15.3 million will be funded from Proposition 70 and \$4.5 million will be funded from Proposition 99.
- \$15 million for the acquisition, enhancement, restoration, or development of wetlands, riparian lands, and wildlife habitat which was directly appropriated from Proposition 70.

California Tahoe Conservancy

The California Tahoe Conservancy is responsible for the acquisition, preservation and management of lands in the Lake Tahoe region for purposes of protecting the natural environment, providing public access and recreational facilities and preserving wildlife habitat areas. In addition to the \$2.6 million reflected in Table 10-1, \$5 million is proposed from the Conservancy's bond fund for continued purchases of environmentally sensitive lands in the Lake Tahoe Basin. The Conservancy estimates that there are 15,000 undeveloped parcels on the California side of the Lake Tahoe basin. Of this total, 6,000 to 7,000 are currently classified as environmentally sensitive. To date, the Conservancy has acquired over 2,700 parcels. The Conservancy estimates that they may acquire up to 4,300 environmentally sensitive parcels by the end of 1989-90.

An additional \$1 million from the Public Resources Account in the Cigarette and Tobacco Products Surtax Fund is proposed for 1989-90. These funds will be used for restoration of fish and wildlife habitat and enhancement of recreational access to Lake Tahoe.

Property Management and Maintenance. As a direct result of their mandate to acquire property, the Conservancy has established a program of property management and maintenance activities for environmentally sensitive and other significant resource lands. The Conservancy estimates that up to 40 percent of acquired properties will require some sort of management activities. As a result, the Conservancy's 1989-90 budget will include \$242,000 for activities that include erosion control, watershed enhancement, removal of dead trees and other hazards, site inspection, surveying, planning and engineering.

Soil Erosion Control. Although the current principal focus of the Conservancy is the acquisition of environmentally sensitive land, soil erosion has also been identified as a major environmental concern in the Tahoe Basin. Soil erosion control is required to mitigate the effects of past development activities by reducing the discharge of sediment into the waters of Lake Tahoe and surrounding areas. The Conservancy budget for 1989-90 includes \$1 million in Environmental License Plate funds for additional erosion control grants in the Lake Tahoe Region. This amount will be awarded to various public agencies.

*“ . . . (additional
funds are)
proposed from
the
Conservancy's
bond fund for
continued
purchases of
environmentally
sensitive lands
in the Lake
Tahoe Basin.”*

The State of California provides numerous services to the public and private sectors of the state through various departments, boards, commissions, offices, and programs. Many of these entities are organizationally located within the State and Consumer Services Agency, however, there are other entities, such as, the Office of Emergency Services, the State Board of Equalization, California Arts Council, the Department of Industrial Relations, California Exposition and State Fair, the Department of Food and Agriculture, the Fair Political Practices Commission, the Board of Control, and the Military Department that are independent departments or agencies.

The Franchise Tax Board and the State Board of Equalization provide services to the state in the areas of personal, bank and corporation, and sales tax programs. These tax programs generate over 90 percent of the General Fund revenue which supports vital education, public safety, and public services programs.

Numerous departments, boards, commissions, and programs within General Government serve as licensing and regulatory agencies for a myriad of professions, businesses, manufacturers and service providers. Included within this area are diverse activities which regulate the California Vehicle Smog Inspection Program, license companies which refill fire extinguishers, license and enforce virtually all persons who practice a medical pro-

fession, license furniture manufacturers, and regulate underground pipeline companies which transport hazardous liquid petroleum and chemical products.

In addition to taxing, licensing and other regulatory activities, the General Government sector provides services to individuals through administering the state teachers and public employees' retirement systems, the 9-1-1 Emergency Telephone Program, personnel practices and collective bargaining for state employees, and payments to victims of crimes program. Support is also provided to local governments through assistance in purchasing materials, goods, and services, analysis and development of statewide telecommunication systems, and training of local fire service personnel. In the area of General Fund state operations, most departments will receive minimal, if any, increases and will, therefore, need to increase operating efficiencies and absorb inflation costs.

State and Consumer Services Agency

The State and Consumer Services Agency provides policy direction and guidance to a diverse list of programs and activities which, in turn, provide services to individuals, public employees, state and local government public safety entities, businesses and industries, the education community, and other state agencies. Included within the Agency are the following departments: California Museum of Science and Industry, the Department

of Consumer Affairs, the Department of Fair Employment and Housing, the Fair Employment and Housing Commission, Franchise Tax Board, the Office of the State Fire Marshal, the Department of General Services, the State Personnel Board, the Public Employee's Retirement System, the State Teacher's Retirement System (discussed in the Education chapter), and the Department of Veteran's Affairs.

The Governor's Budget proposes 13,347 personnel years and combined expenditures of \$994.8 million for support operations and local assistance for programs within the Agency. In addition to this amount, \$1.2 billion in expenditures are identified for acquiring property, taxes and insurance costs, and debt service for the farm and home loan program for California veterans. Figure 11-1 presents the proposed expenditure totals for many of these departments.

Department of Consumer Affairs

The mission of the Department of Consumer Affairs is to protect the consumer by promoting and advocating the delivery of quality goods and services, fostering fair competition, and informing and involving the public. The Department accomplishes this specifically by regulating professions and businesses ranging from accountants to automobile repair shops to physicians, through 40 licensing and regulatory agencies; and by providing consumer representation, education, information and complaint mediation.

Promoting and protecting consumers is a growing and changing challenge because new consumer problems continually arise.

The Governor's Budget proposes \$156.3 million and 1,930 personnel years for the Department of Consumer Affairs. The following information reflects major budget adjustments for 1989-90:

- \$2.8 million to continue a three-phase automation project designed to assist the Department's board and bureaus with license renewals, enforcement case tracking and examination processing. When completed in 1991, the various boards/bureaus will have automated license renewal capabilities, automated license application processes and complaint tracking and enforcement capabilities, and automated scoring and analysis of professional and occupational exams given by the Department.

- \$782,000 is proposed for the Contractors State License Board and the Board of Vocational Nurse and Psychiatric Technician Examiners to replace the current paper and pencil method of giving exams with computerized testing.
- The Bureau of Automotive Repair, Biennial Vehicle Smog Inspection Program is proposed to increase by 16 personnel years and \$3.2 million in 1988-89 and 62 personnel years and \$6.3 million in 1989-90 to implement legislation enacted in 1988. This measure contains provisions which strengthen California's Smog Check Program to further reduce the level of vehicular emissions by as much as 100 percent over the levels achieved by the current program. New program requirements have been added to extend the program to a larger geographic area, incorporate a wider spectrum of vehicles, eliminate vehicle exemptions granted under the original program, and es-

tablish new licensing and training standards for smog inspection mechanics.

The number of vehicles covered by the program has continually increased during the last six years until there are now more than seven million vehicles per year tested. Figure 11-2 reflects the growth in the number of vehicles tested in this program since 1983-84.

Franchise Tax Board

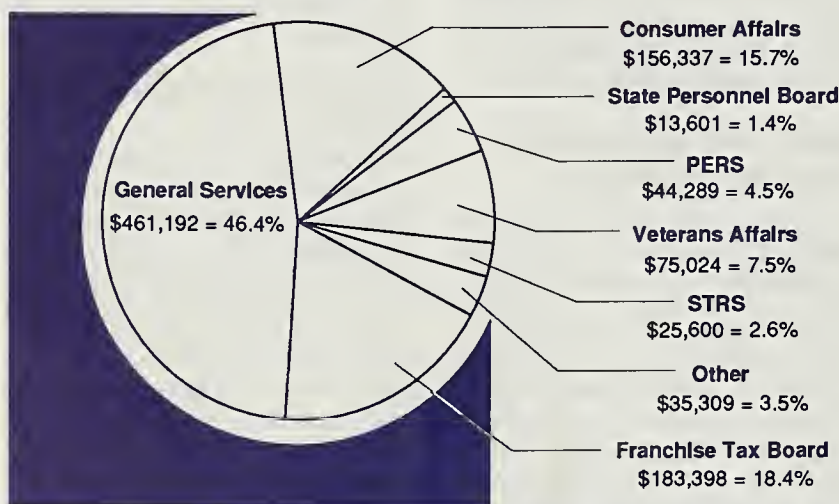
The principal objective of the Franchise Tax Board is to collect revenues for the State of California by effectively, efficiently and equitably administering those tax programs and functions delegated to the department by the Administration and/or mandated by law.

The Governor's Budget proposes expenditures of \$183.4 million and 3,850 personnel years for the Department.

The following information reflects the major budget adjustments for 1989-90:

- \$948,000 and 31 personnel years are proposed to review and analyze the revenue impact of tax conformity and various other personal income tax and bank and corporation tax issues so as to improve the state's revenue forecasting capabilities.
- \$5.5 million and 153 personnel years are proposed to maintain the level of audit and collection activities which encourages taxpayer compliance and ensures that the tax burden is fairly shared. These resources will generate an additional \$68 million in revenues in 1989-90.
- \$483,000 and 20 personnel years for ongoing workload activities related to tax conformity, which substantially conformed the California personal income tax law and the business and corporation law to the federal tax law in order to simplify tax return preparation for taxpayers.
- \$1.4 million and 33 personnel years to fund the audit activities

Figure 11 - 1
State and Consumer Services
Proposed 1989-90 Expenditures*
All Funds
(Dollars in Thousands)



*Includes State Support and Local Assistance expenditures only and excludes Cal-Vet Loans. The State's contribution to the State Teachers' Retirement System is discussed in the Education Section of this Summary.

associated with the Water's Edge program which permits a "water's edge" option to unitary apportionment under the bank and corporation tax law. The water's edge option, effective in the 1988 tax year, permits multi-national corporations to exclude the income and apportionment factors of specified foreign affiliates. The purpose of this augmentation is to train audit staff on the complex audits required for multi-national corporations electing this tax treatment.

Department of General Services

The Department of General Services is primarily responsible for providing centralized services to other state agencies. The services include facilities acquisition and maintenance; a broad range of services designed to improve efficiency and reduce costs; and specialized services, such as conducting administrative hearings, assistance in the provision of telecommunications services and the procurement of equipment. In addition to these types of services and programs, the Department, through the Office of Local Assistance, develops recommendations for the allocation of state funds to public school districts for the construction

and renovation of school facilities. Additionally, the Department provides security and protective services for the Governor and other Constitutional Officers, Legislators, members of the Judicial Branch and visiting dignitaries, through the Office of the California State Police.

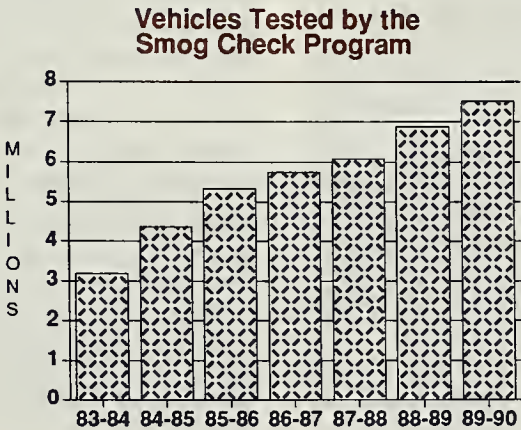
The Governor's Budget proposes \$404.1 million and 4,329 personnel years to support the Department's programs. In addition, \$57.1 million in local assistance is proposed to operate the 9-1-1 Emergency Telephone Number System.

The following reflects the major budget adjustments for:

The Office of Local Assistance. For 1989-90, the Governor's Budget proposes \$2.4 million and 44 personnel years to accomplish increased workload. Additional resources are needed as a result of the approval by the electorate of Proposition 79 last November, which provides \$100 million in bond funds for asbestos abatement in local schools, to complete the review of asbestos management plans submitted by local schools in order to comply with Federal Asbestos Hazard Emergency Response Act requirements and to accomplish increased workload in the Emergency Portable Classroom Program. The Office has increased the number of

“ . . . legislation enacted in 1988 . . . contains provisions which strengthen California's Smog Check Program to further reduce the level of vehicular emissions by as much as 100 percent over the levels achieved by the current program.”

Figure 11-2



school construction, modernization and reconstruction projects funded. The average amount approved has increased from approximately \$150 million in 1982-83 to \$850 million in 1989-90. In addition, the Office has apportioned approximately \$150 million for emergency portable classrooms and \$217.7 million to school districts for deferred maintenance.

Office of Telecommunications.

The Office of Telecommunications is responsible for providing telecommunications services to all state agencies. In this capacity, the Office purchases, installs and maintains mobile radio equipment, the state's microwave emergency telecommunications network, the state's Automatic Telecommunications Switching System (ATSS) and data transmission facilities. The Office is also responsible for the administration of the 9-1-1 Emergency Telephone Number Program. Since 1985, the 9-1-1 service has been available to all 58 counties within the state. In addition to basic 9-1-1 service, the Office is currently in the process of installing enhanced systems statewide. The enhanced system provides additional features for identifying the exact location of emergency calls and is currently available in 14 counties, including all of the major population centers. Implementation of enhanced systems will continue in the budget year.

For 1989-90 the Governor's Budget proposes \$3.1 million for replacement of current Centrex service within the ATSS service areas. This proposal includes competitive bidding for telephone lines that are currently leased from AT&T. It is anticipated that competitive bidding for these lines will result in savings to the state of at least \$1.2 million annually.

Office of the State Architect. The Office of the State Architect provides architectural consulting and construction services, which consist primarily of architectural and engineering services, structural and safety plan checking and physically

handicapped plan checking. For 1989-90 the Governor's Budget proposes:

- \$9 million for the continuation of asbestos abatement, polychlorinated biphenyls (PCB) removal and underground storage tank removal programs. In addition, \$5 million of the funds budgeted in the current year for the underground storage tank program will be reappropriated to the budget year, making the total amount proposed for these programs \$14 million. This represents a \$6.7 million reduction from the revised current year expenditure level which is necessary to reflect prioritization of the limited General Fund resources.
- For 1989-90, no funding is proposed for state office building construction projects. In the past, the major funding source for these types of projects has been the Special Account for Capital Outlay, which, pursuant to Public Resources Code Section 6217, is derived from tideland oil revenues. These revenues for 1988-89 and 1989-90 are insufficient to support any new major capital outlay projects. Therefore, other than those departments which have access to special funds, much needed capital outlay projects are being deferred. The Department of General Services is in the process of considering other financial alternatives, including General Obligation Bonds, to fund these projects.

State Personnel Board

The State Personnel Board oversees the state government's civil service system which includes over 160,000 employees. This oversight includes improving the personnel practices and procedures of state government and achieving ethnic parity to reflect population census data. The Governor's Budget proposes expenditures of \$14 million and 297 personnel years for SPB.

The 1989-90 Governor's Budget proposes the following major adjustments:

- A reduction of \$11.2 million and 8 personnel years in the Career Opportunities Development (COD) Program which provided training opportunities for the economically and physically disadvantaged. These opportunities can best be realized through the Administration's policies at the state level, and will continue at the local level through the Greater Avenues for Independence (GAIN) Program as implemented through the Department of Social Services.
- An unallocated reduction of 20 percent as a result of balancing available funding with critical priorities during a time of significant fiscal restraint. Due to the magnitude of the 20 percent reduction, the Board's budget has been reduced by \$1.6 million in 1989-90 to reflect a phase-out of positions with the remainder of the 20 percent reduction being eliminated in 1990-91. This 20 percent reduction is based on a policy determination that SPB can prioritize existing workload to ensure that the reduction would not adversely impact the primary responsibilities of the Board which are related to administering the state civil service system.

Department of Veterans Affairs

The Department of Veterans Affairs provides services to meet the needs of California's veterans and their dependents. The Governor's Budget proposes expenditures of \$75 million and 1,277 personnel years for support and local assistance, and \$7.5 million for capital outlay improvements at the Department of Veterans Affairs and expenditures of \$1.2 billion for loans and payments to bondholders.

Primary programs administered by the department include:

Farm and Home Loan Program. The purpose of the Cal-Vet Farm and Home Loan Program has essentially been to provide veterans with the opportunity to acquire farms and homes. Since established by the California Legislature in 1921, the California Veterans

Farm and Home Purchase Program has provided qualified veterans with low interest farm and home loans.

Veterans Home, Yountville. The Veterans Home of California in Yountville provides complete residential and medical facilities for approximately 1,300 veterans. In August 1988, the Department opened an \$11.4 million, 56 bed acute care hospital. The hospital is the centerpiece of the Home's Master Plan which allows the Veterans Home to provide the finest quality and updated medical care to its members. A total of \$839,000 is proposed in the 1989-90 Governor's Budget for new equipment, furniture and janitorial services in the recently renovated areas of the home.

Veterans Home, Southern California. Chapter 1240, Statutes of 1988, appropriated \$2.2 million and authorizes the Department to establish and construct a second veterans home in the Southern California area. The Department is currently reviewing various options for the financing, constructing and operation of the Southern California facilities.

County Veterans Service Offices. Currently, 54 counties have established veteran service offices to assist veterans and their dependents at the local level. The veteran service offices are partially state funded. Assistance includes services to secure veteran benefits and entitlements at the state and federal levels, including a stipend program for high school and college students who are dependents of qualifying veterans. Chapter 984, Statutes of 1988, authorized the increase of state funds for support of this program from \$1 million to \$1.25 million which is continued in the 1989-90 Governor's Budget.

Vietnam Veterans Memorial Commission. The Vietnam Veterans Memorial Commission was established to raise private funds for the construction of a memorial to Vietnam veterans located in California's Capitol Park in Sacramento. The California memorial, listing the 5,822 Californians who were casualties of the Vietnam War, is the only memorial in the United States de-

picting the service of women and prisoners of war. Construction of the \$2 million memorial, funded entirely through private donations, began at a June 2, 1988, ground breaking, and was officially dedicated by the Governor on December 10, 1988.

Other Governmental Agencies

Department of Food and Agriculture

California agriculture plays a vital role in the economy of our state and nation. It has received world-wide recognition for its quality, variety and abundance. It truly is one of the most diversified in the world with over 250 commercial crop and livestock commodities. Our 34 million acres of agricultural land account for only three percent of the country's farmland, but produce over 50 percent of the nation's fruits, nuts and vegetables (see Figure 11-3). California agriculture has made an important contribution to our high standard of living by providing food at a cost that allows us to have an increasing share of our disposable income to be used for other goods and services. In addition, as the nation's number one farm state (see Figure 11-4), California agriculture accounts directly or indirectly for one out of every three jobs in the state, and provides more than \$14 billion annually in gross farm receipts from more than 250 different commodities.

The Governor's Budget proposes a total expenditure of \$187.5 million and 1,957 personnel years for the California Department of Food and Agriculture. The primary programs within the Department of Food and Agriculture are:

Plant Pest and Disease Prevention. This program works to protect food crops, home gardens, forests and parks from agricultural pests. The first line of defense is the network of 16 agricultural inspection stations located at entry points on major highways and designed to keep agricultural pests out of the state. Railroads, airports and harbors are also monitored. During the

"Our 34 million acres of agricultural land account for only three percent of the country's farmland, but produce over 50 percent of the nation's fruits, nuts and vegetables . . ."

last ten years, over 28 thousand pests have been intercepted. More than one million vehicles that were inspected carried materials that were rejected. In addition, a monitoring and detection network has been established as a second line of defense. Early detection keeps eradication (the third line of defense) costs at a minimum. The total cost of this program is \$41.2 million.

Pesticide Regulation. The 1989-90 Governor's Budget proposes \$34.4 million for registering and regulating the sale and use of pesticides to make certain they do the job without being a threat to the environment and to protect the agricultural workers and the public from exposure to pesticides. The task is accomplished through enforcement of regulations governing which pesticide products can and should be registered for use in the state, and then how the pesticides are used, stored and disposed. Other key elements of this program include residue monitoring to detect and prevent the sale of any pesticide-contaminated produce, and operation of the Pesticide Contamination Prevention Act to protect groundwater.

Animal Pest and Disease Prevention. The Animal Pest and Dis-

ease Prevention program, funded at \$24.7 million, helps keep livestock and poultry free of diseases and works to safeguard public health by seeing that only wholesome animal food products are sold. Prompt and accurate diagnostic services provide the ability to exclude, detect through surveillance procedures, control and eradicate livestock diseases. These diagnostic services are furnished by the Veterinary Diagnostic Laboratory System operated by the University of California at Davis under contract with the Department. The new John E. Thurman, Jr. Veterinary Diagnostic Laboratory at the University was dedicated October 5, 1988. The Animal Industry program is also responsible for inspecting meat and poultry establishments, milk producers, and cheese plants.

Agricultural Export Program. The 1989-90 Governor's Budget proposes \$4.4 million for the Export Program. This program aims to increase the state's agricultural exports through expanding the number and scope of exporters, increasing the amount of industry funds spent on promotion, encouraging development and promotion of new products, opening new mar-

kets and increasing sales in current markets (see Figures 11-5).

Measurement Standards. The primary goal of the Measurement Standards program is to ensure that the consumer receives the quantity of product paid for. All commercial weighing and liquid measuring devices are inspected, and inspectors work constantly to protect the public by making undercover purchases in stores to check on the weight and contents of packages. In addition, the program establishes and enforces quality control standards in gasoline and petroleum products. The total cost of the program is approximately \$6.5 million.

Agricultural Marketing Services. The Agricultural Marketing Services program's role is to assist in the orderly marketing of the over 250 crops produced in California by providing regulatory, informational and other marketing services for agricultural producers, handlers, consumers and others involved in the marketing process, at a cost of \$14.5 million.

Food and Agricultural Standards/ Inspection Services. The Food and Agricultural Standards/Inspection Services program, funded at \$21.3 million, provides consumer protection, grading

Figure 11-3

California's Share of National Exports Calendar Year 1987

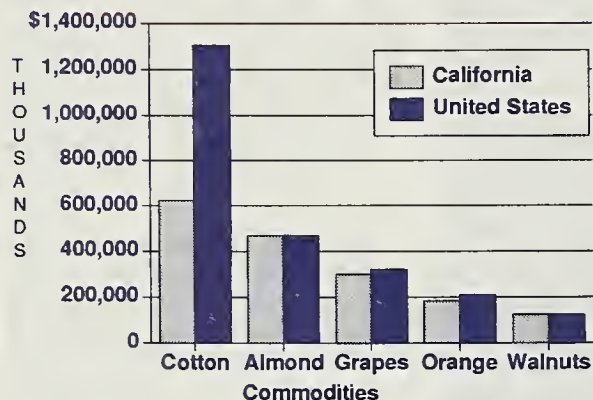
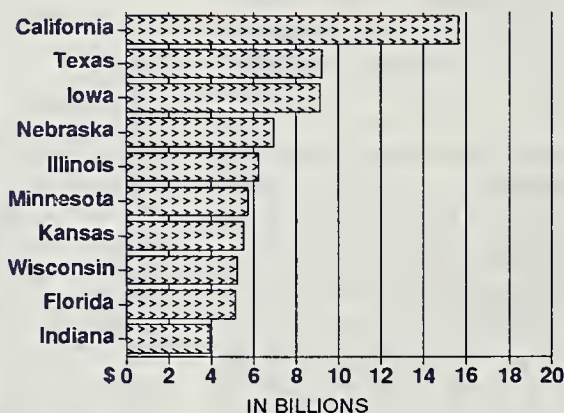


Figure 11-4

Top Ten Farm States



services and regulation of a wide variety of agricultural commodities, including fruits, vegetables, fertilizing materials, commercial feed, livestock drugs, nuts, eggs, beans, hops, grains, and milk and dairy products. Inspections make certain that conditions are met for compliance with standards for maturity, grade, size, weight, pack and labeling to prevent the marketing of substandard commodities. The Chemistry Lab provides laboratory services for governmental agencies involved in consumer and industry protection of agricultural products.

Financial and Administrative Assistance to Local Fairs. There are approximately 80 district, county and citrus fairs held throughout the state each year. This program helps fairs to upgrade their services and exhibits in response to changing conditions in the state. Emphasis is placed on use of the facilities throughout the year. These activities are funded through revenue gener-

ated by the fairs themselves and the rapidly growing parimutuel racing industry. The 1989-90 Governor's Budget proposes \$31.3 million for this program.

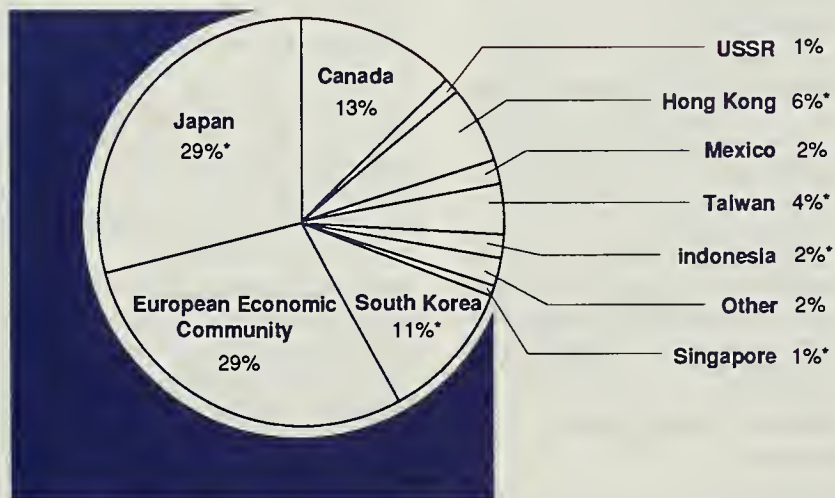
As a part of the overall plan to balance the budget and allocate scarce General Fund resources, the Governor's Budget includes an \$800,000 unallocated reduction for the Department. Budget adjustments for 1989-90 include:

- \$600,000 is proposed to implement the fourth and final phase of the Pesticide Contamination Prevention Act (Chapter 1298, Statutes of 1985) by the Environmental Hazards Assessment Program. The ongoing program will test for pesticides in groundwater throughout the state. Those pesticides which contain known carcinogens will be investigated in 1989-90.
- \$1.5 million is proposed to complete the staffing of the new John

*“ . . . the
Export
Program . . . aims
to increase the
state's
agricultural
exports through
expanding the
number and
scope of
exporters,
increasing the
amount of
industry funds
spent on
promotion,
encouraging
development and
promotion of
new products,
opening new
markets and
increasing sales
in current
markets . . . ”*

Figure 11 - 5

**California's Agricultural Export Markets
Calendar Year 1987**



*Pacific Rim Countries = 53%

E. Thurman, Jr. Veterinary Diagnostic Laboratory at the University of California at Davis.

- Capital Outlay includes \$326,000 in planning funds for a new laboratory for the Plant Industry Division. The new lab is needed to replace the current facility, which has health and safety problems resulting from inadequate plumbing, storage, laboratory fume hoods and exhaust, and hazardous waste storage and disposal.

Department of Industrial Relations

The objective of the Department is to protect the workforce in California, improve working conditions, and advance opportunities for profitable employment. The Department is continually working toward this objective by enforcing the compulsory Workers' Compensation Insurance Law and adjudicating workers' compensation insurance claims by working to prevent industrial injuries and deaths; by promulgating and enforcing laws relating to wages, hours, and conditions of employment; by promoting apprenticeship and other on-the-job training; by assisting in negotiations with parties in dispute when a work stoppage is threatened; and by analyzing and disseminating statistics which measure the condition of labor in the State.

The Governor's Budget proposes a total expenditure of \$157.1 million and 2,215 personnel years, and includes funding for the Cal/OSHA field enforcement program in the private sector work place. This program was reinstated in 1988-89, at a cost of approximately \$8.4 million, pursuant to Proposition 97 approved by the voters in the November 1988 General Election. Budget adjustments for 1989-90 include:

- \$24.7 million and 362 personnel years in the Division of Occupational Safety and Health to fund the Cal/OSHA enforcement program in the private sector work place at the level previously budgeted pursuant to the mandates of Proposition 97.

- \$2.7 million for the first year of operations for an on-line case tracking, calendaring and management information system to support the operations of the Workers' Compensation Appeals Board (WCAB) in the Division of Industrial Accidents. This state-wide system will facilitate the timely delivery of workers' compensation benefits to injured workers by eliminating backlogs in the clerical areas and reducing the time required for WCAB case resolution. Hearing notices will be generated automatically and hearings will be scheduled for the first available time slot. Annual costs of the system, which will enable existing WCAB staff to handle the increasing workload, will be \$2.7 million.
- \$7.9 million to augment the budget level for payment from the Uninsured Employers' Fund (UEF). This is the fund from which workers' compensation benefits are paid to employees of illegally uninsured employers in California. While every effort is made to collect payments from the uninsured employers, the primary source of funding for the UEF is currently the General Fund.
- \$841,000 for the acquisition and implementation of an on-line claims management system to track workers' compensation cases payable from the Uninsured Employers' Fund for the Claims Bureau in the Division of Industrial Accidents. The system will enable Claims Bureau staff to perform case evaluations faster and more accurately than currently possible. The time saved will be redirected to performing investigations and adjusting cases, resulting in an estimated savings of 10 percent of the projected General Fund contribution to the UEF. Annual ongoing costs of the system will be \$70,000.

Office of Emergency Services

The Office of Emergency Services (OES) is responsible for the coordination of emergency activities to

save lives and reduce property losses during disasters and to expedite recovery from the effects of disasters. OES provides leadership, assistance and support to state and local agencies in planning and preparing for the most effective use of federal, state, local and private resources in emergencies.

The 1989-90 Governor's Budget proposes a total expenditure of \$76 million and 231 personnel years for the Office of Emergency Services. The primary programs within OES are:

Mutual Aid Program. OES provides assistance, coordination and overall management of the state fire and law mutual aid systems. Through these systems, local agencies use their own resources first in dealing with emergencies but can call on the resources of neighboring jurisdictions to meet the demands of the emergency. The 1989-90 Governor's Budget proposes expenditures of \$6 million and 48 personnel years for the Mutual Aid Program.

Plans and Preparedness. OES provides assistance to state and local agencies in preparing emergency response plans, including specialized plans relating to hazardous materials and nuclear power plants. Through the Southern California Earthquake Preparedness Project and the Bay Area Regional Earthquake Preparedness Project, OES works with local government and businesses on earthquake preparedness and provides leadership on an annual earthquake preparedness month. The 1989-90 Governor's Budget proposes expenditures of \$13.1 million and 140 personnel years for the Plans and Preparedness Program.

Disaster Assistance. To expedite recovery from disasters, OES gathers data on the magnitude of damage and destruction, seeks assistance from state and federal authorities, and receives, reviews and processes local, state agency and special district claims for disaster relief funds. The 1989-90 Governor's Budget proposes expendi-

tures of \$57.1 million and 13 personnel years for the Disaster Assistance Program.

State Board of Equalization

The State Board of Equalization administers 13 tax programs which serve to support both state and local government activities. The State's General Fund receives over 40 percent of its revenue from these sources. The 1989-90 Governor's Budget proposes a total expenditure of \$169 million and 3,159 personnel years for the Board. Budget adjustments for 1989-90 include:

- \$1.6 million and 32 personnel years are proposed for the Sales and Use Tax Program to accommodate increased workloads associated with registering new taxpayers, processing tax returns and appealing audit determinations.
- \$604,000 and 16 personnel years are proposed to process increased workloads generated at the Board in administering local transaction (sales) and use tax ordinances for the new Special Taxing Jurisdictions that were approved on the June and November 1988 ballots.
- Redirection of \$813,000 and 26 personnel years from personal services to operating expense and equipment is proposed for the purchase of 160 lap top computers to increase the productivity of revenue producing field auditors.

Military Department

The 1989-90 Governor's Budget proposes a total expenditure of \$48.1 million and 652 personnel years for the Military Department.

The Military Department is responsible for protecting life and property during periods of civil emergency and natural disaster by furnishing trained units for federal mobilization and for state missions as required by the Military and Veterans Code or as directed by the Governor.

The Governor's Budget proposes an increase of \$621,000 to be

funded from the Employment Training Fund and 6 personnel years for the expansion of the California Innovative Military Projects and Career Training (IMPACT) Program at two new sites in Glendale and San Diego. This program utilizes traditional military training and educational techniques to recruit, train and place, either in the military service or private workforce, disadvantaged youth ages 17 to 21.

In addition, \$320,000 is proposed to begin planning and design efforts for new armories in north Los Angeles and Lakeport.

Fair Political Practices Commission

The Fair Political Practices Commission has primary responsibility for the impartial administration and implementation of the Political Reform Act of 1974. The primary activities of the Commission are intended to ensure that the public is fully informed on the finances of candidates, public officials and lobbyists; eliminate laws that unfairly favor incumbents; and to ensure vigorous enforcement of the Act.

The 1989-90 Governor's Budget proposes a total expenditure of \$5.4 million and 85 personnel years for the Commission. Included in the budget are \$1.4 million and 24 personnel years for continued funding of the implementation, administration and enforcement of Propositions 68 and 73 which were approved by the voters on June 7, 1988.

Board of Control

The Board of Control is responsible for reviewing and acting upon all claims for money or damages that are made against the state. The Board also provides compensation to innocent victims of violent crimes for documented financial losses associated with the crime. Approximately 50,000 claims will be processed during the 1989-90 fiscal year, providing an estimated \$62.5 million in victims' assistance.

The 1989-90 Governor's Budget proposes a total expenditure of \$78 million and 235 personnel years for

"The Governor's Budget . . . includes funding for the Cal/OSHA field enforcement program in the private sector work place . . ."

the Board including funding to fully implement and maintain a new statewide automated victims' claims processing system. This system will provide improved ability to track the status of each claim in an accurate fashion, further reduce processing time, and provide timely information to victims. Budget adjustments for 1989-90 include:

- \$2.1 million for the extension of 51 limited-term personnel years and 8 additional personnel years to continue reducing the backlog of "old" claims and to address the increasing number of "new" claims submitted by victims seeking reimbursement from the Restitution Fund. These positions have helped reduce the backlog of claims from approximately 11,000 in the Spring of 1988 to approximately 3,000 at the end of December, 1988.

California Arts Council

The California Arts Council encourages artistic awareness, participation and expression among the citizens of California. The Council's multi-faceted grants program seeks to further the development of a wide range of individual and group cultural activities in all areas of the state.

As a part of the overall plan to balance the budget and allocate scarce General Fund resources, the Governor's Budget includes a \$3 million unallocated reduction for the Arts Council. Even with this unallocated reduction, the 1989-90 budget proposes a total expenditure of \$12.6 million and 55 personnel years which represents a 36 percent increase over the 1983-84 expenditure level. The budget does include second-year funding for the California Challenge Program to encourage increased private sector funds to support arts programs and projects through higher matching grants. This program is designed to generate \$2.3 million in additional non-state support for the arts.

California Exposition and State Fair

The California Exposition and State Fair provides a showcase for the agricultural, recreational and industrial resources of California for both residents and non-residents. It provides a forum for state government to present its achievements to its constituency and establishes programs of public participation to encourage the interchange of information regarding agriculture, industry and government. In addition to being the site of the Annual State Fair

since September 1968, Cal Expo offers year-round programming to provide a medium for the education, commercial interaction and recreation of the citizens of California. The primary emphasis of management has been to keep Cal Expo self-supporting, to maintain and repair the physical plant, and to provide unique, special attractions at each new State Fair.

The 1989-90 Governor's Budget proposes a total expenditure of \$16.4 million and 235 personnel years. Budget adjustments for 1989-90 include:

- \$1 million to be applied to the replacement of the livestock barns. The total estimated project cost is \$4.4 million. The Department of Food and Agriculture, Division of Fairs and Exposition, will provide funding for half of the cost of the project.
- \$464,000 and 12 personnel years to address increased workload generated by increased attendance at the State Fair as well as an increased number of other events scheduled throughout the year.
- \$1.5 million for the highest priority deferred maintenance and special repair projects.

Passage of Proposition 13 and the economic upheavals of the late 1970s and early 1980s altered the relationship of state and local government in California. Local government has found that fiscal power has become more concentrated in Sacramento than in the past. Yet, local government continues to be an essential service provider to the public.

Upon taking office six years ago, the Governor promised to change the concentration of power in the State Capitol and restore more certainty and common sense to the relationship between the state and local government. Toward that end, the Administration created a New Partnership with local government to endeavor to provide the resources needed for local services while allowing local discretion in the allocation of those resources. However, recent passage of Proposition 98 will complicate efforts to restore fiscal stability to local governments.

Given the adverse constraints that were faced in the development of the 1989-90 budget, it is important to note that in spite of reductions to some local government programs in order to meet funding demands in other budget areas, as described in the Health and Welfare Section of this summary, this Administration has been able to maintain its commitment to assist local government in key program areas. The substantial proposals included for trial court funding, county revenue stabilization and Rural Renaissance funding furnish strong evidence that financing of service delivery to the

public by local government is a primary component of this budget.

Accomplishments

The most recent accomplishment in the endeavor to assist local government is the implementation on January 1, 1989, of the Trial Court Funding Program, culminating nearly four years of negotiation and a series of statutes which provided the framework for the program. For 1988-89, over \$205 million for trial court block grants and judicial salaries and benefits was appropriated for half-year implementation of the Brown-Presley Trial Court Funding Act. For 1989-90, the budget proposes over \$432 million for the continuation and expansion of this program on a full-year basis.

There have been a number of actions in previous years as well, which have done much to ensure a viable partnership between the state and local government. These include the following:

- Repeal of previous law, enacted in 1979, which provided an automatic reduction in local government subventions if State General Fund revenues did not increase at a specified rate. The elimination of this provision removed a significant funding uncertainty for local jurisdictions.
- Guarantee of vehicle license fee revenues for local government—A constitutional amendment was proposed in 1984 and passed in 1986 which guaranteed that revenue from vehicle license fees would be a local revenue.

- Reestablishment of the authorization for local general obligation bonds—A constitutional amendment was proposed in 1984 and passed in June 1986 to reinstate local government's ability to use the property tax to guarantee general obligation bonds with a two-thirds vote of the electorate.
- Capability to raise local taxes—Various statutes have provided the legal basis for voters to approve half-cent and full cent local sales tax increases for purposes such as transportation or correctional facilities. Existing law authorizes counties with a population of 350,000 or less to seek voter approval of a half-cent sales tax for any valid purpose. Other statutes have provided authority for various special local taxes, subject to voter approval. Proposition 62, approved in 1986, is the framework within which general and special tax increase statutes must be drawn.
- A 1987 law provided one-time grants to counties totaling \$110 million, and also created an ongoing program to stabilize county revenues. For the first time, the state is compensating local governments for increases in the amounts needed to meet state requirements for matching funds which over a period of time, can erode county discretionary revenues. This program, which is limited to amounts appropriated for its purpose, is viewed as especially significant for smaller counties, and \$15 million is proposed for its continuation in 1989-90.

- Legislation signed in 1986 created, as part of the Administration's Rural Renaissance Program, the Rural Economic Development Promotion Program and appropriated approximately \$8 million to provide grants to eligible rural counties for promotion of economic development. Additional subsequent appropriations of \$20 million for infrastructure have brought the total to date to \$28 million, and another \$8 million for infrastructure is proposed for 1989-90. The Governor will continue efforts through this program and others to ensure that rural counties are able to maximize use of program resources. (For further discussion of the Rural Renaissance program, refer to the Business, Transportation and Housing Section of this Summary.)
- A 1988 bill extended from 1989 to 1991 the sunset date for the program to assist counties with their costs of homicide trials.
- In 1984, the Governor signed legislation creating the Commission on State Mandates to insure that programs mandated by the state would include sufficient funds to carry out required activities.

Trial Court Funding Program

The Trial Court Funding Program is a major state initiative to assist local government while, at the same time, bolstering the administration of justice. Historically, it has been a difficult program to implement, but is now fully funded in anticipation of participation by all 58 of California's counties.

In 1985, the Governor signed legislation which would, subject to funding being provided in subsequent legislation, require the state to assume the cost of the trial courts. In his message, the Governor expressed a desire to avoid excessive new General Fund costs and indicated that there was a need to implement significant reforms of the judicial process.

The Administration, in 1986, introduced legislation which provided for trial court funding, combined with a series of reform measures designed to improve court efficiency, assure fairness and reduce unnecessary court delays. Although this legislation was not acted on by the Legislature, the following significant legislation of 1986 was enacted implementing some of the reforms which were originally proposed by the Administration.

- Required the Judicial Council to develop Standards of Timely Disposition as guidelines for the Superior Courts and established pilot projects designed to achieve those standards.
- Provided for significant reforms of the civil discovery process.
- Authorized a demonstration project to assess the costs, benefits and acceptability of utilizing audio and video recording in lieu of the record prepared by a court reporter in certain civil proceedings.
- Reestablished a pilot project authorizing the use of eight-person juries for civil cases in the Los Angeles Municipal Courts.

The Administration continued to support trial court funding and late in the 1987 legislative session reached a compromise with the Legislature which resulted in the passage of SB 709, (Chapter 1211, Statutes of 1987). This legislation authorized the state to fund local trial courts and required that trial court revenues be transferred to the state beginning in the 1988-89 fiscal year, but it never became operative.

Last September the Governor signed SB 612 into law. That measure, which became Chapter 945, Statutes of 1988, enacted the Brown-Presley Trial Court Funding Act. A companion measure appropriated over \$205 million "blue-penciled" by the Governor from the 1988 Budget Act and set aside to make the Trial Court Funding Program operative in the second half of the 1988-89 fiscal year. The 1989-90 Budget proposes over \$432 million for block grants and grant supple-

ments for counties participating in this program in 1989-90.

During legislative deliberations concerning both appropriation of the Governor's set-aside monies for 1988-89 and a wide-range of amendments to SB 709, it was determined that an Administration proposal to allocate the money as a block grant to counties, in addition to allowing counties to retain their court revenues, would result in a more efficient program administratively and one that would reward counties for court revenue collection. Participation in the program is optional with counties and involves local court concurrence. Further, those participating counties having cities within their borders which impose either little or no property taxes are required to transfer specified amounts of property tax revenue to those cities.

Under this revised program, participating counties receive a block grant that currently is \$53,000 per fiscal quarter (and cost-of-living-adjusted) for each superior, municipal and justice court judgeship, commissioner and referee position. In addition, a participating county receives a supplement to the block grant in an amount equal to the annual salary of each municipal and (commencing July 1, 1989) each justice court judge in the county, less a specified, minimal, county match per judge. Special provisions were included to provide additional assistance to counties which receive more than 10 new judgeships pursuant to SB 709, and for counties in which new judgeships are authorized by statutes effective on or after January 1, 1990. County mandate claim waiver requirements also were relaxed under the new statute.

County Revenue Stabilization Program

The Administration's Stabilization Program was first proposed in the 1986-87 Governor's Budget. Local officials had expressed concerns that their revenue base was being eroded because they were required by state law to provide increased amounts as a match to certain state

programs. Since they believed the amount of the match is essentially outside of their control, they saw this as an unfair reduction in already limited general purpose revenues.

A 1987 law addressed this problem. The fraction of each county's general purpose revenue needed to meet specified requirements for matching funds is compared to the fraction of general purpose revenue needed for those same match requirements in the 1981-82 fiscal year. If the fraction of general purpose revenue needed to meet match requirements has increased, the state is authorized to provide funding, up to an amount sufficient to reduce this fraction to the 1981-82 level, but the program is limited to the amounts appropriated annually for its purpose. The 1988-89 Stabilization Program funding is \$15.3 million. This amount was supplemented by unrestricted block grants for smaller counties totaling \$10 million and included in a measure from funds set aside from the Budget Act by the Governor. A funding level of \$15 million is proposed for Stabilization in 1989-90. The Administration will work with the counties to adjust the statutory October 31 date for allocation of Stabilization funds to better meet county budget preparation needs.

Local Assistance

State budgets historically have described expenditures as state operations, local assistance and capital outlay. Both state operations and capital outlay are clear indicators of how taxes are spent. The term "local assistance," however, covers a number of different kinds of expenditures. The last six budgets have attempted to categorize local assistance to provide a better description of where these expenditures occur.

State expenditures aimed at local assistance include three major categories:

- Assistance to individuals
- Payments to service providers
- Payments to local government

Payments to local government are divided further into restricted and general purpose categories.

Assistance to Individuals. This category includes grants to individuals e.g., SSI/SSP or AFDC payments. In addition, several tax relief programs which provide assistance directly to individuals, such as the renters credit program, are included, as well as indirect payments to individuals for tax relief programs, such as the homeowners' exemption. Payments in this last program are made to local governments to reimburse them for the property tax loss incurred through the exemption.

Payments to Service Providers. This category includes expenditures for services provided by agencies other than the state. These payments could be to counties or to private contractors. Restricted payments to local government include expenditures which are sent directly to counties for specific programs or as reimbursements for a legislative mandate.

Payments to Local Government. This category of general purpose payments to local government includes those payments which can be used for any general government purpose.

Table 12-1 shows General Fund expenditures for these three categories for the past, current and budget years.

Local Revenue

One measure used in assessing the fiscal condition of cities and counties is the change in general purpose revenues. General purpose revenues include only those revenues which may be expended for any governmental purpose, much like the State's General Fund (see Table 12-2).

In 1988-89, the growth in general purpose revenue on a statewide basis is estimated to be 11.6 percent for cities and 10.3 percent for counties. This is lower than the 13.3 percent growth realized by cities and 13.1 percent growth realized by counties in 1987-88. This growth

"Given the adverse constraints that were faced in the development of the 1989-90 budget . . . this Administration has been able to maintain its commitment to assist local government in key program areas."

trend is expected to moderate further in 1989-90 to 11.2 percent for cities and 9.4 percent for counties, respectively. Vehicle license fee revenues to both the individual cities and counties will continue to be a

major factor driving the increase in revenues. It should be noted that there is substantial variation among cities and counties with respect to actual revenue growth.

Counties administer health and welfare programs for the state and, therefore, have no discretion over these costs. In recognition of this, costs associated with these programs are offset against general purpose revenues.

Table 12-1
Local Assistance Expenditures
State General Fund
(In Thousands)

	1987-88	1988-89	1989-90
Assistance to Individuals			
Health and Welfare			
SSI/SSP Grants	\$1,835,661	\$1,990,040	\$2,055,484
AFDC Grants	2,148,296	2,337,681	2,506,060
Special Adult Programs	2,828	3,234	3,614
Office of Statewide Health Planning	2,674	3,339	700
Total	<u>\$3,989,459</u>	<u>\$4,334,294</u>	<u>\$4,565,858</u>
Tax Relief			
Homeowners' Tax Relief	344,221	350,713	357,727
Senior Citizens Property Tax Assistance	4,691	4,040	4,300
Senior Citizens Property Tax Deferral	7,000	7,500	7,600
Senior Citizens Renters Tax Assistance	21,116	17,560	18,600
Renters' Tax Relief	471,856	481,000	490,000
Energy Conservation Credit	7	-	-
Total	<u>\$ 848,891</u>	<u>\$ 860,813</u>	<u>\$ 878,227</u>
Student Aid Commission	111,370	126,582	125,668
California Arts Council	10,987	11,000	8,930
Totals, Assistance to Individuals	<u>\$4,960,707</u>	<u>\$5,332,689</u>	<u>\$5,578,683</u>
Payments to Service Providers			
Health and Welfare			
Department of Aging	32,110	33,025	32,327
Department of Alcohol and Drug Programs			
Alcohol Program	37,274	37,274	37,274
Drug Program	34,428	35,814	35,821
Department of Health Services			
Public Health Services	76,512	90,579	62,402
Medi-Cal Assistance Program	2,712,352	3,069,828	3,167,561
Department of Developmental Services			
Regional Centers	400,073	434,085	463,916
Developmental Centers	50,342	40,506	(65,937) *
Mental Health Services	552,736	582,535	586,374
Social Service Programs	488,097	791,240	803,139
Community Care Licensing	8,307	9,429	10,044
Department of Rehabilitation	68,502	77,570	75,210
Emergency Medical Services Authority	1,716	2,857	2,857
Total, Payments to Service Providers	<u>\$4,462,449</u>	<u>\$5,204,742</u>	<u>\$5,276,925</u>

* In 1989-90 this amount will be budgeted in State Operations; previously it was budgeted in Local Assistance.

Table 12-1—Continued

**Local Assistance Expenditures
State General Fund**

**(Dollar Amounts in Millions and
Expenditures per ADA in Dollars)**

Payments to Local Government	1987-88	1988-89	1989-90
Restricted			
Legislative/Judicial/Executive.....	\$ 114,089	\$ 297,612	\$ 528,136
State and Consumer Services.....	1,000	1,250	1,250
Business/Transportation Housing	23,820	10,699	10,980
Resources.....	2,523	777	13,777
Health and Welfare			
Department of Health Services			
Public Health Services for Local			
Agencies	1,064,748	1,107,149	736,326
County Administration.....	70,173	80,160	86,123
Department of Social Services			
County Administration.....	141,491	167,099	179,592
Corrections			
Department of Corrections.....	26,689	27,140	31,210
Youth Authority	74,420	74,705	7,407
Education			
K-12 Categoricals	3,124,959	3,358,821	3,740,176
State Library Assistance.....	32,202	33,904	34,584
Contribution to Teachers' Retirement			
Fund	506,097	546,602	449,215
Community College Categoricals.....	133,537	136,345	151,360
Student Aid Commission—CALSOAP.....	498	583	583
School Facilities Aid.....	—1,808	—1,808	—1,808
Other Governmental Units.....	50,095	50,436	71,637
Shared Revenues—Tidelands.....	352	300	300
Local Mandates	116,770	147,345	202,148
Total—Restricted	\$ 5,481,655	\$ 6,039,119	\$ 6,242,996
General Purpose			
Education			
K-12 Apportionments.....	8,693,418	9,283,697	9,843,143
Community College Apportionments.....	1,166,560	1,255,840	1,341,358
Other Governmental Units			
Aid to Local Governments	91,251	30,840	15,000
Tax Relief			
Open Space	14,047	14,600	14,600
Substandard Housing	126	212	278
Special Supplemental Subventions.....	56,757	43,000	43,000
Total—General Purpose	\$10,022,159	\$10,628,189	\$11,257,379
Total, Payments to Local Government .	\$15,503,814	\$16,667,308	\$17,500,375
Estimated Unidentifiable Savings.....	—	—176,225	—120,000
Total, General Fund Local Assistance.....	\$24,926,970	\$27,028,514	\$28,235,983

Table 12-2
Summary of Local Revenues

(In Thousands)

<i>Local Agencies</i>	<i>1985-86</i>	<i>1986-87</i>	<i>1987-88</i>	<i>1988-89</i>	<i>1989-90</i>
Counties					
Property Taxes	\$3,598.0	\$3,869.3	\$4,248.1	\$4,596.9	\$4,919.1
Sales Taxes	344.7	348.4	359.3	374.2	384.7
Vehicle License Fees	850.9	920.8	1,055.5	1,150.6	1,230.5
Other Revenues	1,688.1	1,598.6	1,876.7	2,156.2	2,477.5
Total	\$6,481.7	\$6,737.1	\$7,539.6	\$8,277.9	\$9,011.8
Less Mandated Health and Welfare Costs	(803.5)	(873.7)	(908.8)	(962.8)	(1,009.8)
Adjusted Total	\$5,678.2	\$5,863.4	\$6,630.8	\$7,315.1	\$8,002.0
Cities					
Property Taxes	1,296.1	1,444.7	1,610.3	1,747.9	1,885.1
Sales Tax	1,794.6	1,884.0	2,026.1	2,203.6	2,368.2
Vehicle License Fees	578.0	626.0	712.6	767.1	820.3
Other Revenues	2,673.5	2,559.6	3,034.8	3,521.9	4,087.1
Total	\$6,342.2	\$6,514.3	\$7,383.8	\$8,240.5	\$9,160.7
Special Districts					
Property Tax	\$835.5	\$918.0	\$995.8	\$1,071.7	\$1,139.4
Education					
K-12 and County Offices					
Property Tax	3,216.5	3,482.7	3,809.0	4,092.5	4,341.5
State Apportionment.....	7,701.8	8,445.0	8,734.8	9,326.4	9,863.0
Categorical Aid.....	2,784.1	3,117.9	3,161.1	3,398.9	3,799.6
Lottery.....	555.5	410.9	650.9	763.1	762.6
Total	\$14,257.9	\$15,456.5	\$16,355.8	\$17,580.9	\$18,766.7
ADA.....	4,357,381	4,490,662	4,595,352	4,725,690	4,859,580
Expenditures Per ADA	\$3,272	\$3,442	\$3,559	\$3,720	\$3,862
Community Colleges					
Property Tax	497.6	544.9	604.8	652.1	697.1
Fees	66.1	66.9	65.4	66.3	66.9
State Apportionments.....	1,092.3	1,139.0	1,168.4	1,258.3	1,343.5
Categorical Aid.....	101.7	83.3	168.5	170.8	193.0
Lottery.....	85.4	57.4	96.8	113.7	113.6
Total	\$1,843.1	\$1,891.5	\$2,103.9	\$2,261.2	\$2,414.1
ADA.....	652,040	654,070	681,764	699,996	715,261
Expenditures per ADA.....	\$2,827	\$2,892	\$3,086	\$3,230	\$3,375

State-Mandated Local Programs

Chapter 1406, Statutes of 1972 (SB 90), first established the statutory requirement for the state to reimburse units of local government for costs of any state-mandated program. Such costs may result from either legislative acts or executive regulations which impose a new program or demand an increased level of service in an existing program. The statutory reimbursement requirement was elevated to a constitutional requirement in Section 6 of Article XIII B of the California Constitution.

Legislation enacted in 1984 created a five-member Commission on State Mandates to determine whether local entities are entitled to reimbursement by the state for costs which may have been incurred as a result of state-mandated local programs. The Commission replaces the Board of Control for the resolution of local mandate issues. If reimbursement is not initially provided in the mandating legislation or executive regulation, the local entities are authorized to file claims with the Commission alleging entitlement for reimbursement.

Prior to the enactment of Chapter 1534, Statutes of 1985, the system of reimbursing state mandates was on an actual cost basis, requiring local entities to file detailed claim forms and to undergo subsequent field audits by the State Controller's Office. Chapter 1534 established a system of "State Mandated Apportionments" (SMA's) to provide a "block grant" approach for funding those mandates which are long-standing and relatively stable. Under this system, the Controller determines the average amount of mandate reimbursement received by each local entity over the past three years, adjusts that amount by changes in the Implicit Price Deflator and subvenes amounts to the local entities without the submission of claims by those entities. The Commission determines which mandates will be included in the system. Currently, there are 12 mandates reimbursed through the SMA.

Table 12-3 summarizes the payments made to local government for mandate reimbursement from appropriations in legislation imposing a mandate, from State Budget Acts and from Board of Control/Commission on State Mandates claims bills.

For 1989-90, the Administration is proposing that local agencies be excused from complying with 27 mandates and, consistent with this action, the Budget does not appropriate the \$42 million which would otherwise be required to reimburse those mandates.

In addition, the Governor's Budget provides \$47.5 million for costs, as identified below, which are anticipated to be funded in the next Commission on State Mandates claims bill. This brings the total budgeted level for mandate reimbursement to \$202.6 million.

(Dollars in Thousands)

New Mandates:	
Patient after-care plans	\$2,100
Charging documents	900
Expulsion reports	2,000
Airport land use	3,700
Business tax reporting requirements	6,100
Cost accounting	7,800
Investigations of guardianships	4,900
Deficiencies in prior mandate appropriations	20,000
Total	\$47,500

Disaster Assistance

Californians in different areas of the state each year have felt the effects of earthquakes, fires or other disasters. While assistance provided by the federal government is helpful, additional state aid often is necessary to prevent individuals from facing undue hardship and to ensure that local governments are able to continue providing essential services.

Funding of disaster assistance efforts is one of the reasons for maintaining a prudent reserve fund. Since funds were available, for example, it was possible to provide \$91.3 million for fire and earthquake disaster assistance programs at the

“ . . . the Administration is proposing that local agencies be excused from complying with 27 mandates (bringing) the total budgeted level for mandate reimbursement to \$202.6 million.”

special legislative session called by the Governor in November 1987.

Recent legislation and Budget Act provisions have combined to streamline the state's ability to provide financial assistance in response to disasters. Chapter 1131, Statutes of 1987, allows the Office of Emergency Services to allocate designated funds to local agencies without further appropriation being necessary. During 1988-89, \$2.3 million has been allocated to local agencies using those provisions. Chapter 1507, Statutes of 1988, further extended the concept of having a permanent mechanism established to assist local entities in times of disaster.

State and Local Facility Needs

Infrastructure. The strength of the state's economy is dependent on the condition of basic facilities, equipment and installations such as

roads, water supply systems, waste treatment systems and institutional facilities. Since entering office in 1983, the Governor has placed a high priority on developing and maintaining the local and state infrastructure. In April 1983, the Governor convened a task force to examine the then current and future state and local structural needs and shortfalls. The 1989-90 Budget proposals, as well as those of the past several years, focus on the needs identified by the Task Force report.

Prudent Use of General Obligation Bonds. The continued depression in world oil prices has had a pronounced impact on one of the state's primary sources of capital outlay financing. In response to this decline in Tidelands Oil Revenues and in order to maintain progress on crucial building programs, the state has moved toward greater use of bond financing for its capital projects. Since the latter half of 1985-86, however, the issuance of

bonded debt to finance capital outlay projects has been restricted to a significant degree by uncertainty concerning both the scope and the implementation of the Federal Tax Reform Act of 1986. Legislation signed by the Governor has provided the interim financing needed to start many projects by permitting internal borrowing from the Pooled Money Investment Account. In the June and November 1988 elections, the voters approved the following General Obligation Bond measures:

Authorization (Dollars in millions)

School Facilities	
Bond Act of 1988.....	\$800
1988 School Facilities	
Bond Act	800
Higher Education Facilities	
Bond Act of 1988.....	600
Library Construction and	
Renovation Bond Act	
of 1988	75
California Earthquake	
Safety and Housing	
Rehabilitation Bond Act	
of 1988	150
Housing and Homeless	
Bond Act of 1988.....	300
Veterans Bond Act	
of 1988 (Self-	
liquidating bond)	510
Water Conservation Bond	
Law of 1988	60
California Safe Drinking Water	
Bond Law of 1988.....	75
Clean Water and Water	
Reclamation Bond Law	
of 1988	65
Wildlife, Coastal, and Park	
Land Conservation Bond	
Act (Initiative)	776
New Prison Construction	
Bond Act of 1988.....	817
County Correctional Facility	
Capital Expenditure and	
Youth Facility Bond	
Act of 1988.....	500
Total	\$5,528

While the use of debt financing is essential if efforts to meet the infrastructure needs of California are to

Table 12-3

Summary of Payments to Local Government for State Mandates

(In Thousands)

<i>Fiscal Year</i>	<i>Mandate Legislation</i>	<i>Budget Acts</i>	<i>Claims Bills</i>	<i>Totals</i>
1973-74	\$3,538	—	—	\$3,538
1974-75	2,655	\$14,943	—	17,598
1975-76	1,376	17,963	—	19,339
1976-77	20,226	18,356	\$523	39,105
1977-78	4,007	52,623	—	56,630
1978-79	21,443	54,434	1,203	77,080
1979-80	12,013	75,565	12,202	99,780
1980-81	9,947	105,377	7,572	122,896
1981-82	—	101,942	33,980	135,922
1982-83	610	92,886	24,183	117,679
1983-84	10,000	74,671	22,208	106,879
1984-85	4,937	76,070	1,366	82,373
1985-86	44,741	109,842	6,884	161,467
1986-87	75	144,525	5,928	150,528
1987-88	—	87,754	48,700	136,454
1988-89	500	114,248	26,051	140,799
1989-90	—	155,091*	47,500*	202,591
TOTALS	\$136,068	\$1,296,290	\$238,300	\$1,534,590

*Estimated

continue, it is equally important that the state not overuse this financing source. To do so would place too high a burden on future generations, as well as jeopardize the state's credit rating and increase General Fund debt service requirements to unacceptable levels.

California enjoys a very favorable standing nationwide with its low level of debt service. The state currently spends less than 1.6 percent of all General Fund expenditures for debt service costs. When compared to a comparison group of 16 major and/or AAA credit-rated states, California ranks fourth best in debt service costs. California also ranks third best among the nine AAA credit-rated states.

1989-90 Plans

Efforts to meet the state's public facility needs will continue in 1989-90. Table 12-4 summarizes the total program, including projected expenditure levels for the next five years. Highlights of the program are as follows:

- The ongoing six-year Program for Building California, totaling nearly \$37 billion, will continue to include expenditures for the traditional projects such as highways, the State Water Project and state institutions. Program funding will also include substantial expenditures for local school construction, statewide underground storage tank remediation, asbestos abatement and PCB-related equipment replacement.
- The program to construct cogeneration equipment and other energy conservation measures at state facilities financed through the sale of revenue bonds also will be continued. The revenue source for the bonds' debt service is the energy cost savings expected to be generated over the term of the bonds.

- The remodeling and construction of county jails and juvenile halls will be continued through the allocation of \$221 million from bond proceeds approved by the voters.
- State prison system expansion currently includes authorizations for additions and remodeling at existing institutions, expansion of the conservation camp program, construction of 13 all-new prison facilities and eight major expansions at existing institution sites to provide a total system design bed capacity of nearly 64,000. However, the need for additional facilities will continue to exceed those currently authorized. By mid-1993, the projected inmate population is expected to reach 105,000.
- A total of \$8 million from Federal Outer Continental Shelf Lands Act Revenues is proposed to be directed toward the Rural Renaissance program for expenditures on capital projects which will promote the business environment of rural counties.
- The Governor's Budget proposes \$482 million for Higher Education capital outlay, of which \$176 million is to be from proceeds of General Obligation bonds and \$306 million from revenue bonds to be issued by the State Public Works Board.

Because revenues from the state's Tidelands Oil properties have been depressed, construction needs, such as the renovation of the San Francisco State Office Building and the Veterans Home, or a replacement facility for the State Archives, cannot be met in 1989-90. Flood control projects by the Department of Water Resources must also be deferred. Without a significant increase in the price of oil, this situation will continue into the future. The Administration will be examining alternative funding sources for 1990-91.

"The continued depression in world oil prices has had a pronounced impact on one of the state's primary sources of capital outlay financing."

Table 12-4
Program For Building California
(In Millions)
(Budgeted Basis)

<i>STATE FACILITIES PROGRAM</i>	<i>1988-89</i>	<i>1989-90</i>	<i>1990-91</i>	<i>1991-92</i>	<i>1992-93</i>	<i>1993-94</i>	<i>TOTAL</i>
Highways.....	\$1,334	\$1,340	\$1,406	\$1,369	\$1,363	\$1,316	\$8,128
Water Project.....	491	521	554	588	625	664	3,443
Higher Education.....	365	482	400	400	400	400	2,447
State Hospitals.....	40	18	46	22	22	9	157
CDC and CYA Facilities ¹	730	30	612	440	434	432	2,678
Parks and Recreation.....	14	21	57	74	24	3	193
State Facilities Energy Conservation.....	48	36	46	51	51	51	283
Maintenance of State Facilities ²	909	916	959	1,007	1,054	1,106	5,951
Other.....	29	13	135	176	212	148	713
Total—State Facilities Program.....	\$3,960	\$3,377	\$4,215	\$4,127	\$4,185	\$4,129	\$23,993
ASSISTANCE TO OTHER ENTITIES							
Toxics Cleanup (funded through State Operations)	\$24	\$44	\$41	\$41	\$41	\$41	\$232
K-12 Construction.....	1,000	600	500	500	500	500	3,600
K-12 Maintenance.....	53	56	50	45	40	40	284
Community Colleges Maintenance ³	102	106	111	116	121	126	682
Streets and Roads —Local Assistance.....	236	234	239	203	200	200	1,312
—Shared Revenues.....	612	624	636	662	675	689	3,898
Mass Transportation.....	64	64	75	75	75	75	428
Airports.....	3	2	2	2	2	1	12
Flood Control.....	12	13	20	25	25	25	120
Safe Drinking Water Project..	67	85	85	85	85	85	492
Water conservation, Capital Costs.....	29	26	30	25	—	—	110
Waste Water Treatment.....	65	55	55	55	55	55	340
Local Jails and Juvenile Facilities.....	188	221	188	130	190	40	957
Parks and Recreation.....	69	60	129	100	80	30	468
Beach and Soil Erosion Control.....	2	1	2	2	3	3	13
Rural Renaissance.....	—	8	—	—	—	—	8
Total—Assistance to Other Entities.....	\$2,526	\$2,199	\$2,163	\$2,066	\$2,092	\$1,910	\$12,956
Total—Program for Build- ing California.....	\$6,486	\$5,576	\$6,378	\$6,193	\$6,277	\$6,039	\$36,949

¹ Year-of-appropriation for CDC and CYA facilities represents a proration of Master Plan totals for 1990-91 and later, not specific year-by-year programming.

² State facility hazardous material abatement costs are included within facilities maintenance and total approximately \$29 million in the budget year.

³ Capital outlay is included with Higher Education, shown above.

Petroleum Violation Escrow Account Program

The Petroleum Violation Escrow Account (PVEA) is derived from negotiated settlements and judgments against U.S. oil companies stemming from legal actions by the federal government to recover oil company overcharges during the period of price regulations, from August 1973 to January 1981. Monies collected and not yet disbursed are held in a Federal Department of Energy (DOE) escrow account. Disbursement of these funds to the states is generally determined by the DOE's Office of Hearings and Appeals, but may be specified by the court in each case. One allocation, made in the 1983 Federal Budget, was the result of Congressional action.

In 1988-89 a balance of \$173.8 million (including expected receipts prior to June 30, 1989) was available for appropriation from PVEA funds. The Budget Act of 1988 appropriated \$10 million of these funds to the Department of Transportation for transit capital improvements and \$10 million to the Department of Economic Opportunity for assistance to persons with low incomes. In the closing days of the 1988 legislative session, the Administration and the Legislature reached an accord concerning an additional \$153.8 million in PVEA funds. This accord was implemented through several pieces of legislation which were signed by the Governor. This legislative package contained a number of Administration proposals which provide substantial benefits to the people of California. The largest allocation of funds was \$60 million for the School Bus Demonstration Program which is administered by the California Energy Commission. This program will demonstrate the use of new fuel efficiency technology through the replacement of

obsolete and unsafe school buses, with new fuel efficient school buses. In doing so, it will simultaneously address some of the most important and difficult problems facing Californians. The new technology developed will help reduce the amount of fuel used by heavy vehicles and assist in the control of emissions by this type of vehicle. At the same time, school children will be transported by new, safe buses which could not otherwise be provided.

Other major PVEA funded programs authorized by 1988-89 legislation include:

- \$29.9 million for Transit Capital Improvement Projects in the Department of Transportation.
- \$20 million for home energy assistance and energy crisis intervention programs in the Department of Economic Opportunity.
- \$10 million for the Ridesharing Program administered by the Department of Transportation.

The Budget Act and other legislation signed by the Governor appropriated all PVEA funds which had been transmitted to California, plus funds expected to be available in 1988-89.

Pursuant to an agreement between the Legislature and the Administration, in 1989-90 and future years, one-half of all available PVEA funds is to be committed to the school bus demonstration program and an additional \$4 million is to be allocated for weatherization purposes. The 1989-90 Governor's Budget proposes \$2 million for the School Bus Demonstration program administered by the Energy Commission and \$2 million for the Weatherization Program administered by the Department of Economic Opportunity. The amount proposed for the Energy Commission also includes an additional \$321,000 for administrative expenses incurred as a result of previously funded programs.

*“ . . . \$60 million
for the School
Bus Demonstration
Program . . .
This program
will demonstrate
the use of new
fuel efficiency
technology
through the
replacement of
obsolete and
unsafe school
buses, with new
fuel efficient
buses.”*



State government provides services which are vital to the welfare of all Californians and which promote a healthy economic environment in the state. Assuring that those services are provided in a manner that maximizes the benefit of taxpayers' dollars requires prudent management and a stewardship of state resources that is constantly sensitive to improving efficiency. Through increased utilization of automation, improved management practices, maintenance of a quality workforce and redirection of existing resources, the Administration has controlled the relative size and increased the efficiency of state government.

State Workforce

The effectiveness of the Administration's efforts to improve the efficiency of state government is evident by the reduction in the size of state government's workforce compared to the size of California's population and total workforce. From 1982-83 to 1989-90, the state's general population will have increased by approximately 16.6 percent. During this same period of time, state personnel will have increased by only 11.2 percent. Of this 11.2 percent increase, 7.4 percent is attributable to additional employees for higher education and public safety programs. This has resulted in a reduction in the number of state personnel per 1,000 general population from 9.2 in 1982-83 to an estimated 8.8 in 1989-90. In addition, the California labor force will have increased by approximately 29.7 per-

cent from the 1982-83 fiscal year to 1989-90, while the state workforce will have increased by only 11.2 percent over this same period.

At the same time, however, the state is providing more services to Californians. For example, since 1982-83:

- higher education enrollment has increased by 14.6 percent;
- correctional caseload has increased by 169.6 percent;
- motorist services by the California Highway Patrol have increased by 25.7 percent;
- number of motor vehicle registration and license renewal activities has increased by 25.4 and 14.6 percent, respectively; and
- number of day care and 24-hour care (residential) facilities licensed by the state has increased by 74 percent.

These and many other workload increases have been accommodated through automation, resource redirection and improved management practices with no adverse effect on the delivery of necessary public services by state government. In essence, state government is doing more with less.

The 1989-90 proposed budget continues to reflect the Administration's ongoing commitment to provide the residents of this state with all essential services without increasing the size of government beyond necessary levels.

Information Technology

Due to its solid information management programs, its investments in innovative information technologies, and its commitment to exploring new partnerships with California's electronics industry, California State Government is a world leader in computers and telecommunications.

Computers are being used by state agencies to design highways, map state lands and resources, control the flow of water through the California Aqueduct, identify criminals, dispatch firefighting equipment to forest and grassland fires, screen newborn infants for genetic disorders and transmit information about job openings throughout the state. Through integrated office systems and telecommunications networks, agencies are establishing new opportunities for effective communication, better management control and improved service to the residents of California.

This Administration has recognized that well-managed applications of information technology represent one of government's most profitable investments. Accordingly, the Governor's Budget for 1989-90 includes more than \$107 million in new automation and telecommunications projects, bringing the state's projected annual expenditure for all aspects of information technology to more than \$960 million. (See Figure 13-1).

California's Leadership. California is the world's leader in computers and electronics. California firms

employ more electronics workers than the next three states combined; more than half of the computer chip companies that have been started worldwide in the past ten years have opened in California. California firms earn 50 percent of the independent software revenue in the nation and nearly a third of the country's micro-computer producers and suppliers are California companies. California private enterprise leads the nation in such diverse aspects of information technology as artificial intelligence, local area networks, computer-aided engineering and optical disk storage and retrieval systems.

Information Technology in State Government. Much of the state's past effort has been directed toward the creation of a solid environment for the use of computers and telecommunications by state agencies. The state has created major data centers, distributed processing to its departments, built telecommunications networks and collected vast amounts of necessary data in its automated files and data bases. As one of the largest users of information technology in the world, the State of California:

- employs more than 6,000 information technology professionals;

- operates 35 mainframe computers, nearly 800 minicomputers, and more than 14,000 personal computers;
- supports more than 50,000 computer terminals and workstations (see Figure 13-2);
- processes more than 3.5 million on-line transactions each day through its two major multi-agency data centers; and
- transmits more than one million law enforcement messages each day.

The state has acquired the technical capabilities and management expertise to provide effective day-to-day support for the business of government.

Applied Innovation. State agencies have been alert to the opportunities for improved management presented by innovations in data processing and telecommunications. (See Figure 13-3). Among the innovative applications of information technology currently in operation or under development in the state are:

- Expert Systems—Expert systems fall within the more general information technology category of artificial intelligence. An expert system makes an expert's exper-

ience, hunches, rules and even educated guesses available to others. As job performance aids, these systems can act as assistants to decision-makers, providing them with advice about how to solve a particular problem. They can interact with users, much as would a trusted colleague, offering a second opinion and helping to ensure that decisions take the full range of expert thought into account. The Department of Justice has developed a Forensic Serology Advisory System that incorporates the best expertise available in its criminalistics laboratories on the analysis of blood stains, and the Health and Welfare Agency Data Center has established an Expert Systems Laboratory to support its client agencies.

- Relational Data Bases—The Department of Motor Vehicles has adopted relational data base technology as its approach to reorganizing its enormous driver licensing, vehicle registration and occupational licensing files. Redesign of its data bases will enable the Department to improve its services to California's motoring public and to effectively re-

Figure 13 - 1

Budget for Information Technology



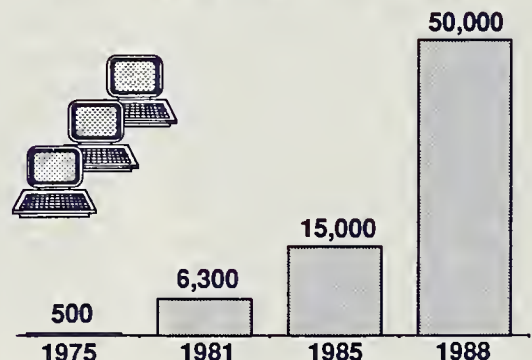
\$ 960 Million Budget Year

\$ 107 Million New Funding

\$ 151 Million — Teale HWDC

Figure 13 - 2

Personal Computers, Computer Terminals and Workstations in California State Government



spond to new legislation, federal mandates and Administration goals.

- **Hypertext**—Hypertext lets users connect screens of information using whatever associative links suit their particular purposes. The information they seek need not be limited to traditional textual information, but may include graphics, audio, even video. The Toxic Substances Control Division of the Department of Health Services is developing a hypertext application to assist those who are responsible for dealing with inquiries about the disposal of toxics. A hypertext version of the portion of the State Administrative Manual concerning information technology is being prepared by the Office of Information Technology.
- **Geographic Information Systems**—A geographic information system presents information spatially in map format. Geographic

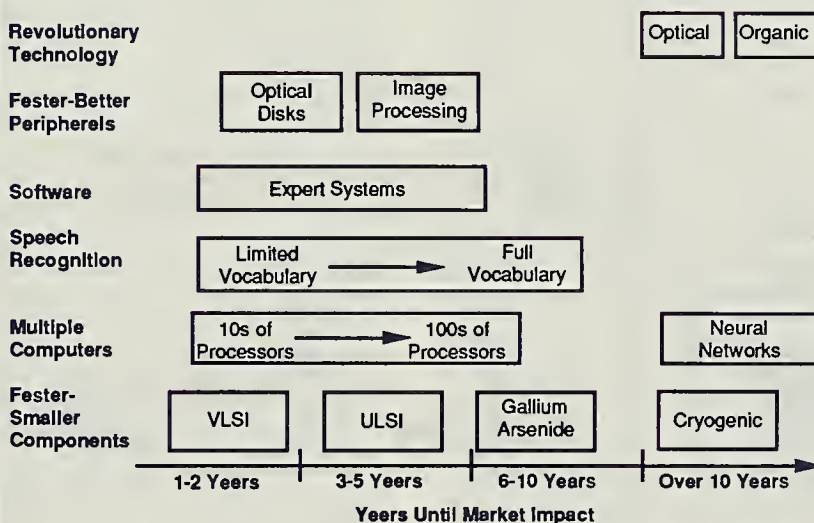
information systems are being used by departments in the Resources Agency to map California farmlands and wildlife habitat, locate recycling centers and manage wildlife populations; by the Department of General Services to locate state property; by the Department of Finance to display demographic and census data; by the Department of Transportation to route oversized and dangerous cargoes; and by the Department of Health Services to license toxic sites.

- **Computer-Aided Design and Drafting**—Computer-aided design and drafting (CADD) is being used by the California Department of Transportation in planning, constructing and maintaining more than 15,000 miles of highways and freeways. A combination of graphics terminals and intelligent engineering workstations permits a continuous flow in

“Due to its solid information management programs . . . California State Government is a world leader in computers and telecommunications.”

Figure 13 - 3

Potential Future Computer Technologies



Source: Computer Industry Almanac (1987)

the highway design process. When ready for the plans stage, data and calculations are passed on to drafting workstations for production of final drawings. This technology is also being used by the Department of Water Resources to maintain the State's Aqueduct, by the Military Department to prepare engineering plans and drawings and by the State Architect to plan new State facilities.

Other innovative information technologies employed by state agencies include fibre optics telecommunications networks, optical disk data storage, automated fingerprint identification and high volume electronic publishing.

Future Applications. Building upon the established infrastructure, future applications of information technology will enhance the importance of the state's data bases to agencies and to the public. The increased ability to access the information stored in these data bases will provide agency management with better understanding of the environment within which each agency operates and assist executives in charting a course that is responsive to changing public needs and their vision of the agency's long-term

mission. Improved public access to data bases will support commercial and educational activities.

Statewide Developments.

Although primary responsibility for information management resides at the agency level, significant developments also continue to occur at the state level under this Administration. Among these developments are:

- **Strategic Planning**—As an initial step in an ongoing state-level strategic planning process, the state has published a statewide strategy entitled *Strategic Direction for Information Technology in California State Government 1988-1993*. (See Figure 13-4).
- **Management Guidelines**—In keeping with its continuing emphasis on effective information management techniques, the Office of Information Technology is publishing a series of management guidelines to complement state information technology policies and to promote sound management practices. (See Figure 13-5).
- **Advanced Technology Projects**—Under recent legislation, the state is now able to explore avenues for cooperation with private

industry to demonstrate ways in which advanced information technologies are creating opportunities for making public organizations more productive. The state may also participate with industry in joint development projects that apply emerging technologies to agency business problems. The advanced technology projects will be conducted under the auspices of the Advanced Technology Laboratory at the Teale Data Center and through the Health and Welfare Agency Data Center.

- **Statewide Telecommunications Network**—The Department of General Services is evaluating final proposals for a three-node telecommunications network linking Sacramento, San Francisco and Los Angeles. With initial implementation targeted for April 1990, the transmission lines and switches that constitute the network will provide the state of California with a highly cost-effective capability for communications.

Budget Highlights. Among the significant new and continuing projects proposed in the 1989-90 Governor's Budget are:

Central Cancer Register—Department of Health Services—The 1989-90 Governor's Budget pro-

Figure 13 - 4

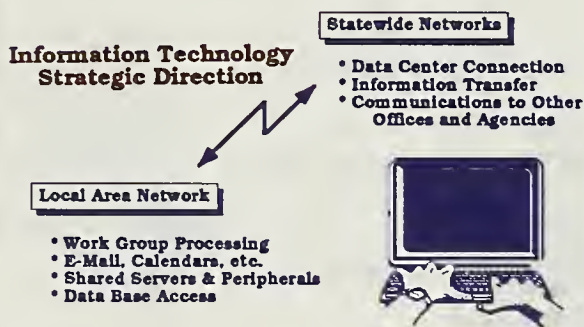
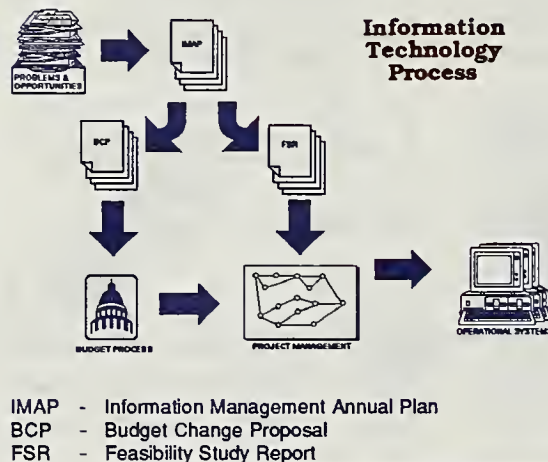


Figure 13 - 5



vides \$403,000 for development and implementation of a new Central Cancer Register system which will be used for statewide data collection, epidemiological assessments, statistical analyses, studies and reports of cancer hazards and remedies. Primary reporting units, such as hospitals and physicians, will provide data to one of ten regional registries throughout the state.

Hazardous Substances Facility Inventory—Environmental Affairs Agency—Funding in the amount of \$656,000 is included in the 1989–90 Governor's Budget for creation of an automated inventory of entities regulated for hazardous substances. The system will identify those entities being regulated, their location and the regulating agency. It will also consolidate state and county data, eliminate duplicates, note entities with multiple regulators and create a single source of information for hazardous substances facilities.

Data Carrier Media Driver License/ID Card—Department of Motor Vehicles—The Department of Motor Vehicles (DMV) issues or renews 7.5 million drivers' licenses or identification cards annually. The Department will replace existing license/ID documents with plastic cards containing magnetic strip information and digitized images of the recipient's photograph and signature. This project will result in the production of a more durable and secure card format. The card's magnetic strip will benefit retailers and law enforcement agencies, allowing the use of card readers rather than manual transcription of data. The magnetic strip will also allow DMV field office staff to call up the appropriate license record through a card reader rather than keying data from the old license, thereby reducing public waiting time. The 1989–90 Governor's Budget contains more than \$2 million for this major automation project.

Chancellery Management Information System—Community Colleges—The 1989–90 Governor's Budget contains \$5.3 million to continue development and begin statewide im-

plementation of a management information system to provide a comprehensive and integrated database on community college students, courses, staff, student services, finance and facilities. This will enable the Chancellor's Office to more efficiently carry out its planning and administrative responsibilities and is intended to meet the requirements of the matriculation evaluation plan.

Automated Fingerprint Project (Cal-ID System)—Department of Justice—Funding in the amount of \$4.5 million is included in the 1989–90 Governor's Budget for expansion of the Cal-ID System. This expansion is necessary to support an increased workload and to enhance and continue Cal-ID Remote Access Network (RAN) assistance to local law enforcement agencies. The existing Cal-ID System was designed to meet the needs of law enforcement and regulatory agencies through the end of the decade. The volume of criminal and applicant fingerprints contained in the system is expected to increase by 40 percent during the next five years.

Parole Distributed Data Processing System—Department of Corrections—The 1989–90 Governor's Budget includes funding of more than \$2 million to continue installation of a distributed data processing system in the Parole and Community Services Division. Due to new laws regarding parole violators and a change in discharge policy, there has been an increase in the number of parolees, creating the need for additional Parole Unit Offices. This system will automate the monitoring of parolee movements and actions, maintain an on-line parolee database and perform daily, weekly and monthly administrative reporting.

Microcomputers for Classroom Use in Institutions and Clinics—Department of the Youth Authority—The 1989–90 Governor's Budget provides more than \$150,000 for the purchase of microcomputer equipment and educational software for classroom use by the general student population in Youth Authority institutions and clinics. Wards using

"Since coming into office, the Governor has increased state employees' salaries by approximately 35 percent."

these systems have shown achievement gains ranging from two to four months for every month of instruction using the microcomputer. Computer-assisted instruction has also proven to be beneficial to teachers. They are able to diagnose students' strengths and weaknesses, recommend appropriate actions, monitor progress and easily maintain students' records.

California Central Registry—Department of Social Services—Funding in the amount of \$684,000 is included in the 1989–90 Governor's Budget for implementation of an automated central registry of interstate child support cases in compliance with federal regulations. These regulations require states to establish review and control functions for interstate cases. Failure to comply with these regulations could result in federal sanctions of from one to five percent of California's annual Aid to Families with Dependent Children awards, representing a potential loss to the state of \$21 to \$103 million. The system will be developed, operated and maintained under contract with the Department of Justice. It is expected to enable the Child Support Enforcement Program to improve the enforcement of child support obligations across state boundaries.

Public Direct Access to Corporate Status Information—Secretary of State—The Office of the Secretary of State provides corporate status information to the public. The volume of inquiries has risen at a rate of five percent each year for the past three years. Funding in the amount of \$438,000 is included in the 1989–90 Governor's Budget for development of an automated system that will permit dial-up access to the Secretary of State's Corporate Status Database. Interested parties who provide their own equipment and pay use fees will be able to access the database. The project is expected to improve service to the public by providing easier access to

corporate status information without incurring additional cost to the state.

Employee Compensation

The Governor's longstanding salary and benefits policy is to compensate employees in relation to their performance. The ability to encourage productivity and creativity through the compensation program is the key to building efficient state government and, as a result, effective delivery of services to the public. Since coming into office, the Governor has increased state employee salaries by approximately 35 percent, including special salary adjustments in certain classifications. The salary and benefit increases have resulted in salaries for state employees which are competitive with salaries for similar employment outside of state service.

In addition, significant improvements to benefits for employees have been adopted. These improvements include:

- enhanced dental benefits;
- provision of a vision care benefit;
- adoption of a two-tier retirement structure providing employees with an optional retirement plan;
- enhanced retirement benefits for peace officers and firefighters and added retirement program security for all employees in full compliance with federal legislation;
- an optional flexible benefits program to allow tailoring of benefits, within a fixed dollar allotment, to meet individual and family needs;
- an optional long-term disability program to supplement disability retirement benefits for non-represented employees; and
- optional deferred income savings plans.

In total, this Administration's efforts to retain and reward productive employees for their services have been demonstrated by providing compet-

itive salary increases and creative benefit additions and options.

Higher education salary and benefit programs for faculty and nonfaculty employees are based on similar objectives. Additional information on these programs is contained in the Education section of this Budget Summary.

Compensation Program. The Governor's ability to provide compensation programs that foster recruitment and retention of an efficient state workforce is realized through the collective bargaining process.

So far in 1988–89, the Administration and 8 of the 20 bargaining units have negotiated and ratified multi-year economic agreements which cover the 1988–89 through the 1990–91 fiscal years, inclusive. Other bargaining units have signed multi-year agreements with the Administration which are pending ratification by the Legislature. Generally, the multi-year contract agreements include the following:

- 1988–89 fiscal year: an average salary increase of up to six percent effective June 1, 1989, and the funding of health, dental and vision benefit increases.
- 1989–90 fiscal year: an average salary increase of up to four percent on January 1, 1990, and an additional \$32 million for special salary and other adjustments, and health, dental and vision benefit increases.
- 1990–91 fiscal year: a salary increase commensurate with the increase in the U.S. Consumer Price Index with a maximum salary increase of up to five percent but no less than a three percent increase effective January 1, 1991 and health, dental and vision benefits.

These agreements have built upon the significant compensation improvements offered by this Administration since 1982–83 and have greatly strengthened the economic position of state employees, both with respect to past special salary adjustments and inflationary trends.

California voters approved Propositions 98 and 99 in November 1988, both amending and, thus, ending a concept begun by Proposition 4 of 1979, that there should be an annual limit on the amount of tax dollars state government can spend. As originally conceived, Proposition 4 allowed the limit to be adjusted for inflation and population growth, but basically it placed a ceiling equal to the 1978–79 level on the amount of tax dollars which on average may be spent per person in this state. All tax revenue received was to have been either appropriated or returned to the taxpayers as surplus.

Although the original language of Proposition 4 was left intact in the Constitution, the addition of Propositions 98 and 99 dramatically altered its operation. Thus, the annual computation of the Limit must still take place. Appropriations take two basic forms. Money may be appropriated for direct programmatic purposes, such as education funding or health services, or it may be appropriated for unspecified purposes to various reserve funds, the most important being the Special Fund for Economic Uncertainties in the General Fund.

There are some appropriations which are not subject to the Limit. They include debt service, expenditures of the proceeds of voter-approved debt and debt which occurred prior to Proposition 4, and appropriations to comply with federal and court mandates.

Because the Limit applies to all

governmental entities within California, funds transferred from one unit of government to another are subject to the Limit only once. Appropriations to local government without restrictions on their use are considered tax proceeds for the local entities and not the state, and are subject to the Limit of the local entities.

Appropriations to reserves count against the Limit in the year in which they are made. Expenditures from specific appropriations or reserves made in prior fiscal years do not count since the full amount of the appropriation was counted in the year it was made.

Table 14-1 and Figure 14-1 display the history of the Limit and the appropriations subject to the Limit. As indicated in the Table, the 1989–90 Budget Year appropriations are \$128 million below the level of the Limit.

Voter-Enacted Amendments to Proposition 4

Proposition 98, the School Funding Initiative, guarantees grades K–12 and Community Colleges a specified share of the annual state budget. Further, the Proposition requires that if a Proposition 4 surplus exists, the surplus is to be transferred to the schools in an amount not to exceed four percent of the K–14 base funding level in the year the surplus exists.

In the next fiscal year, the Limit is increased by the amount of surplus transferred to schools. This is a

substantial change to prior treatment of Proposition 4 surpluses. Before Proposition 98, Proposition 4 provisions required that tax revenues in excess of the Limit be returned to the taxpayers within two years of the year the excess revenues were identified.

Last November voters also enacted Proposition 99, the Cigarette Tax Initiative. The effect of Proposition 99 was to place an additional tax on cigarette purchases in California. Before the enactment of Proposition 99, if an additional tax were to be placed on the purchase of cigarettes, this would be considered tax revenue and therefore subject to the Limit. However, specific amendments to Proposition 4 enacted by Proposition 99 count the additional cigarette tax as non-tax revenue, and dedicate this revenue for specific purposes. This additional tax, to be counted outside the Limit, is estimated to be \$300 million in fiscal year 1988–89 and \$625 million in fiscal year 1989–90.

Limit Calculation

The Limit is based on tax revenues actually appropriated in 1978–79. The Limit is adjusted annually for inflation using the changes in the U.S. Consumer Price Index or California Personal Income, whichever of the two changes is less. The Limit is also adjusted annually for population growth. Table 14-2 displays the growth factors from 1980–81 to date. In addition, the Limit is adjusted for shifts in financial responsibility between entities of government and for shifts of funding source for pro-

grams to fees. Shifts of financial responsibility thus far have resulted in a net increase in the state's Limit of \$229 million in 1988-89, and an estimated \$215 million in 1989-90. These increases are primarily a result of the Brown-Presley Trial Court Funding Act of 1988.

Appropriations Subject to the Limit

Starting with revenues from the General Fund and special funds, as displayed in Schedule 8 of the Appendix, Table 14-3 and Figure 14-2 display the major adjustments

needed to calculate appropriations subject to the Limit. Appropriations subject to the Limit are computed based upon adjusted revenues because, as stated above, tax revenues must either be appropriated for programmatic purposes, appropriated to a reserve or returned to

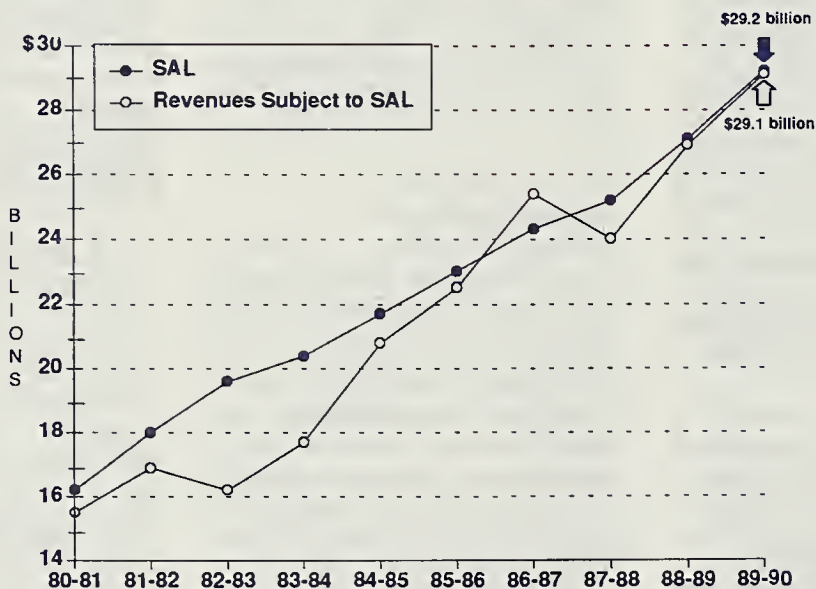
Table 14-1

State Appropriation Limit (In Millions)

	1978-79 Base	1979-80	1980-81	1981-82	1982-83	1983-84	1984-85	1985-86	1986-87	1987-88	1988-89	1989-90
State Appropriation Limit	\$12,564	\$14,195	\$16,237	\$18,030	\$19,593	\$20,369	\$21,740	\$22,962	\$24,311	\$25,201	\$27,079	\$29,184
Appropriations Subject to Limitation ...	-	-	-15,535	-16,872	-16,154	-17,737	-20,822	-22,467	-25,449	-24,030	-26,935	-29,056
Amount (Over)/Under Limit	-	-	\$702	\$1,158	\$3,439	\$2,632	\$918	\$495	(\$1,138)	\$1,171	\$144	\$128

Figure 14-1

Historical State Appropriations Limit (Limit vs. Revenue) 1980-81 through 1989-90



the taxpayer. Each line of adjustment is explained in the following paragraphs.

Funds. For simplification purposes, the funds of the state have been examined to determine which contain tax proceeds. Those funds determined not to contain tax pro-

ceeds are excluded from all calculations concerning appropriations subject to the Limit. The special funds which currently contain tax proceeds are footnoted in the fund condition statements in the 1989-90 Governor's Budget. Special funds

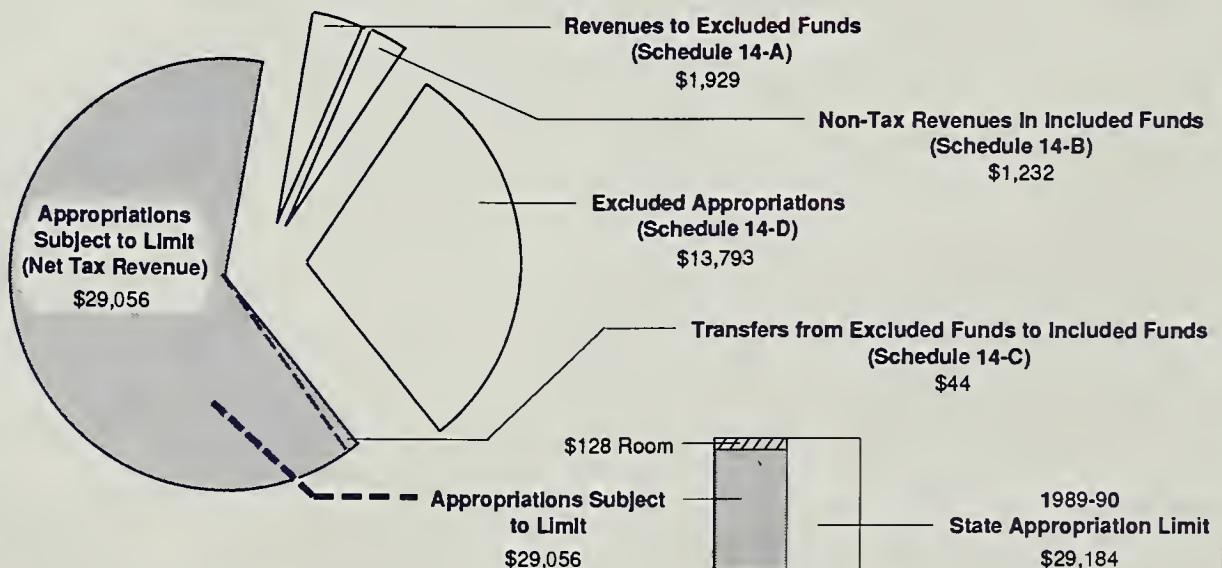
Table 14-2

Income, Population and Price Percentage Change Factors

Price Factor	1979-80 Actual	1980-81 Actual	1981-82 Actual	1982-83 Actual	1983-84 Actual	1984-85 Actual	1985-86 Actual	1986-87 Actual	1987-88 Actual	1988-89 Actual	1989-90 Estimated
U.S. Consumer Price Index, Urban, All Items (1967=100)	10.2	14.7	10.6	6.8	3.6	4.7	3.7	2.3	3.0	3.9	4.9
California per capita income ...	12.5	12.1	9.1	12.0	2.4	6.5	7.9	3.4	3.5	4.7	4.6
Price factor	10.2	12.1	9.1	6.8	2.4	4.7	3.7	2.3	3.0	3.9	4.6
California Civilian population, January 1	2.1	2.0	2.1	1.8	2.0	1.9	1.9	2.9	2.3	2.5	2.3
Limit: Price factor times population	12.5	14.4	11.4	8.7	4.4	6.7	5.7	5.3	5.4	6.5	7.0

Figure 14 - 2
1989-90 Total State Revenues
(All Funds)

(Dollars in Millions)



that do not contain tax proceeds are listed in Schedule 14-A of the Appendix.

Non-Tax Revenues. Funds which contain tax proceeds may also receive fees and other types of revenue that are not taxes. These non-tax proceeds are assumed to be fully appropriated in the year of receipt and are deducted from the revenue totals of the funds otherwise subject to the Limit. Specific appropriations are not made from these non-tax revenues for they are considered to be fully intermixed with the other tax revenues in the funds. Schedule 14-B of the Appendix lists non-tax revenues deducted from total revenues.

Transfers. Special funds that do not contain tax proceeds are excluded from the calculations of appropriations subject to the Limit. Extraordinary transfers from these funds to included funds must be added to the appropriations subject

to the Limit calculations. Schedule 14-C of the Appendix lists these transfers.

Expenditures Not Subject to the Limit. Schedule 14-D of the Appendix lists amounts currently deducted from total expenditures which are appropriated for purposes not subject to the Limit. The Limit specifically exempts:

- Money spent for debt service on voter-approved debt and debt existing when the Article was adopted.
- The appropriation of bond proceeds.
- Money appropriated in a prior fiscal year and still available for expenditure. This appropriation was counted as subject to the Limit in the initial fiscal year.
- Funds granted as subventions to local government without restrictions on use are subject to local limits and not the state's Limit.

- Expenditures in compliance with federal and court mandates. (For purposes of the state's calculation, only mandates fiscally effective after the 1978-79 base year are recognized.)
- Loan repayments.
- Surplus limit funds transferred to school districts as required by Proposition 98.

Table 14-3
State Appropriations Subject to Limit
(In Millions)

	1987-88			1988-89			1989-90		
	GF	SF	Total	GF	SF	Total	GF	SF	Total
Schedule 8									
Revenue.....	\$32,360	\$5,854	\$38,214	\$35,837	\$6,444	\$42,281	\$38,799	\$7,167	\$45,966
Less:									
Schedule 14-A.....									
Excluded Revenue....	-	-1,162	-1,162	-	-1,489	-1,489	-	-1,929	-1,929
Schedule 14-B									
Non Tax Revenue.....	-766	-129	-895	-923	-141	-1,064	-1,077	-155	-1,232
Total SAL Revenue.....	\$31,594	\$4,563	\$36,157	\$34,914	\$4,814	\$39,728	\$37,722	\$5,083	\$42,805
Add:									
Schedule 14-C									
SAL Transfers.....	25	37	62	16	48	54	1	43	44
Total SAL Revenue & Transfers.....	\$31,619	\$4,600	\$36,219	\$34,930	\$4,862	\$39,782	\$37,723	\$5,126	\$42,849
Less:									
Schedule 14-D									
Exclusions	-10,327	-1,862	-12,189	-10,838	-2,009	-12,847	-11,654	-2,139	-13,793
Total SAL Appropria- tions			-\$24,030			-\$26,935			-\$29,056
Appropriation Limit			25,201			27,079			29,184
Room/ (Surplus)			\$1,171			\$144			\$128

Appendix

Budgetary Process

The Governor's Budget is the result of a process which begins more than one year before the budget becomes law. When presented to the Legislature on January 10 of each year, the Governor's Budget incorporates revenue and expenditure estimates based upon the most current information available through late December. In the event that the Governor wants to change the budget presented to the Legislature, including adjustments resulting from changes in population, caseload or enrollment estimates, the Department of Finance proposes adjustments to the Legislature during the budget hearings through Finance Letters. During late spring, usually May and June, the Department of Finance submits revised expenditure and revenue estimates for both the current and budget years to the Legislature. This update process is referred to as the May Revision. The Department of Finance provides a further update on revenues and expenditures to the Legislature during August. Listed below are the key documents used in the budget process.

Title	Purpose	Prepared/Issued By	When
Budget Letters and Management Memos	Convey Administration guidelines for budget preparation to agencies and departments.	Governor/Department of Finance	April through December
Budget Change Proposals	Proposes and documents budget changes to maintain the existing level of service or to change the level of service.	Agencies and departments submit to Department of Finance for analysis	July through September
Governor's Budget	Governor proposes budget for the upcoming fiscal year.	Governor/Department of Finance	January 10
Governor's Budget Summary	A summary of the Governor's Budget.	Governor/Department of Finance	January 10
Budget Bill	Requests spending authorization to carry out Governor's expenditure plan (Legislative budget decision document.)	Department of Finance/Legislature	January 10
Budget Analysis	Analysis of the budget, including recommendations for changes to the Governor's Budget.	Legislative Analyst	February
Budget Update	Compilation of Budget Change letters sent to Fiscal Committees.	Department of Finance	March
May Revision of General Fund Revenues and Expenditures	Update of General Fund revenues, expenditures and reserve estimates based on the latest economic forecast.	Department of Finance	Mid-May
Budget Act	The primary annual expenditure authorization as approved by the Governor and Legislature, including a listing of Governor's vetoes.	Legislature/Governor	Late June
Supplemental Report of the Committee on Conference on the Budget Bill	Contains language on statements of intent and requests for information or studies.	Legislative Analyst	Early July
Final Budget Summary	Update of the individual Budget Act items with changes by the Governor's vetoes, including summary budget schedules.	Department of Finance	Mid-July
Final Change Book	Update of the changes to the detailed fiscal information in Governor's Budget in accordance with the Budget Act.	Department of Finance	Late July
Budget Update	Update of General Fund Revenues	Department of Finance	August
General Fund Update and Financial Legislation Report	Update of revenue and expenditure estimates, including financial legislation.	Department of Finance	November/December

Glossary of Budget Terms

The following budgetary terms are used frequently throughout the Governor's Budget, the Governor's Budget Summary and the annual Budget (Appropriations) Bill. Definitions are provided for terminology which is common to all activities. For definitions of terms peculiar to a specific program area, please refer to the individual budget presentation of interest.

The definitions of other budget-related terms may be found in the State Administrative Manual and in the annual Budget Bill.

Administration Program:

An accounting for departmental central management costs. These include such costs as the Director's Office, Legal Office, Personnel Office, Accounting and Business Services functions that generally serve the whole department.

"Administration-distributed" represents those costs which are more properly distributed to the program activities of a department as indirect costs.

Allocation:

A distribution of funds, or an expenditure limit established for an organization unit.

Allotment:

A part of an appropriation, to be expended for a particular purpose during a specified time period. An allotment is generally authorized on a line-item expenditure basis.

Appropriation:

An authorization from a specific fund to a specific agency to make expenditures/incur obligations for a specified purpose and period of time. The Budget Act contains many appropriations, or items. These appropriation items are limited to one year, unless otherwise specified. Appropriations are made

by the Legislature in the annual Budget Act and in other legislation. Continuing appropriations (which require no subsequent legislative action) are also provided by the California Constitution.

Appropriations Limit:

As defined in Section 8 of Article XIII B of the California Constitution, enacted by the passage of Proposition 4 at the November 6, 1979 general election, the growth in the level of certain appropriations from tax proceeds are generally limited to the level of the prior year's appropriation limit as adjusted for changes in cost of living and population. Other adjustments may be made for such reasons as the transfer of services from one government entity to another.

Augmentation:

An increase in an allotment. A control section of the Budget Act authorizes the increase in expenditures for a program, category, or project by transfer from any other program, category, or project within the same schedule. A separate section of the Budget Act authorizes the augmentation of scheduled amounts from other departments, and from the federal government to the extent such funds have not been taken into consideration in the appropriation schedules. Both control sections require the reporting of specified augmentations to the chairperson of the committee in each house which considers appropriations and to the Chairperson of the Joint Legislative Budget Committee.

Authorized Positions:

Those ongoing positions approved in the final budget of the preceding year less positions abolished because of continued, extended vacancy. The detail of authorized po-

sitions by classification is published in the Salaries and Wages Supplement for each agency. Changes in authorized positions are listed following each department's budget presentation in the Governor's Budget. (See Proposed New Positions.)

Balance Available:

Amount available for appropriation or encumbrance. It is the excess of cash and near-cash assets of a fund over its liabilities and reserves; or commonly called surplus available for appropriation. It is also the unobligated balance of an appropriation which may be encumbered for the purposes of the specific appropriation.

Baseline Budget:

A baseline budget reflects the anticipated costs of carrying out the current level of service or activities as authorized by the Legislature. It includes adjustment for cost increases, but does not include changes in level of service over that authorized by the Legislature.

Budget, Program/Traditional:

A plan of operation for a specific period of time expressed in financial terms. A *program budget* expresses the operating plan in terms of the costs of activities to be undertaken to achieve specific goals and objectives. A *traditional budget* expresses the plan in terms of the costs of the goods or services to be used to perform specific functions.

The Governor's Budget is primarily a program budget. However, a summary of proposed expenditures for goods and services (Summary by Object) is included for State Operations, Local Assistance and Capital Outlay for each department, as well.

Budget Bill/Act:

The Budget Bill is prepared by the

Department of Finance and is submitted to the Legislature in January accompanying the Governor's Budget. The Budget Bill is the Governor's proposal for spending authorization for the subsequent fiscal year for on-going programs authorized by the Legislature. The Constitution requires the Legislature to pass the Budget Bill and send it by June 15 each year to the Governor for signature. After signature by the Governor, the Budget Bill becomes the Budget Act.

Budget Change Proposal (BCP):

A proposal to change the level of service or funding sources for activities authorized by the Legislature, or propose new program activities not currently authorized.

Budget Year (BY):

The next fiscal year beginning July 1 and ending June 30 for which the Governor's Budget is submitted. The year following the current fiscal year.

Capital Outlay:

Expenditures which result in the acquisition of or addition to major fixed assets (e.g., land, buildings and equipment related to construction).

Carryover Appropriations:

Appropriations with balances available for expenditure in years subsequent to the year of enactment.

Category:

A grouping of related objects of expenditure (goods or services). Such groupings are primarily Personal Services, Operating Expenses and Equipment, and Special Items of Expense.

Category Transfer:

A control section of the Budget Act provides that the Department of Finance is authorized to augment any category by transfer from any other category within the same appropriation item schedule.

Augmentations of personal services

and operating expenses and equipment categories generally cannot exceed, in the aggregate, 20 percent of the amount scheduled. Lower limits exist for support appropriations which exceed \$2,000,000. (See Category.)

Changes in Authorized Positions:

A schedule included in each budget presentation in the Governor's Budget which reflects personnel staffing changes made subsequent to the adoption of the current year budget (transfers, positions established and reclassifications). It also includes proposed new positions for the budget year.

Character of Expenditure:

A classification of expenditures. (See State Operations, Local Assistance or Capital Outlay.)

Codes, Uniform:

A set of codes, used in all major fiscal systems of California State government, which has been established to identify organizations, programs, funds, appropriation structures, receipts and line-item objects of expenditure. The Uniform Codes Manual, published by the Department of Finance, lists all such uniform codes. (See Section 1.50 of the Budget Act for an explanation of the codes used for Budget Act appropriation items.)

Continuing Appropriation:

Amount, actual or estimated, available each year under a permanent constitutional or statutory expenditure authorization which is automatically renewed each year without further legislative action. The amount available may be a specific, recurring sum each year; all or a specified portion of the proceeds of specified revenues which have been dedicated permanently to a certain purpose; or it may be whatever amount is required for the purpose as determined by formula—such as school apportionments.

Control Sections, Budget Act:

The Budget Act is divided into sections. Section 1.00 establishes a citation for the legislation. Section 1.50 provides a description of the format of the act. Section 2.00 contains the itemized appropriations for support of the State of California. Sections 4.00 through 36.00 are general sections, also referred to as control sections, which place additional restrictions on one or more of the itemized appropriations contained in Section 2.00.

Cost-of-Living Adjustments (COLAs). Statutory/Discretionary:

Increases provided in state-funded programs which include periodic adjustments predetermined in state law (statutory), e.g., K-12 education apportionments; and adjustments which may be established at optional levels (discretionary) by the Legislature each year, e.g., Urban Impact Aid.

Current Year (CY):

The fiscal year beginning July 1 and ending June 30. The time period we are in now.

Encumbrance:

A limitation or reserve placed on an appropriation to pay for goods or services which have been ordered by means of contracts, salary commitments, etc., but not yet received.

Expenditure:

Generally, this term designates the amount of an appropriation used for goods and services ordered and received whether paid or unpaid, including expenses, provisions for debt retirement not reported as a liability of the fund from which retired, and capital outlays where the accounts are kept on an accrual basis or a modified accrual basis. Where the accounts are kept on a cash basis, the term designates only actual cash disbursements.

Federal Funds:

In state budget usage, this term

describes all funds received directly from an agency of the federal government but not those received through another state department. State departments must initially deposit such federal funds in the Federal Trust Fund, a fund in the State Treasury.

Final Budget:

The final budget is the Governor's Budget as amended by action taken on the Budget Bill. A Final Change Book is published by the Department of Finance after enactment of the Budget Act to reflect the changes made by the Legislature in their review of the Budget Bill and by the Governor by power of item veto. It includes a detailed list of changes by item number.

Finance Letters:

Proposals made by the Director of Finance to the chairpersons of the committees in each house which consider appropriations to amend the Budget Bill and Governor's Budget from that submitted January 10 to reflect a revised plan of expenditure for the Budget Year.

Fiscal Year (FY):

A 12-month state accounting period which varies from the calendar year and the federal fiscal year. In California State government, the fiscal year runs from July 1 through the following June 30. It is the period during which obligations are incurred, encumbrances are made and appropriations are expended. The Governor's Budget presents three years of detailed fiscal data for the past, current and budget years.

The state fiscal year is often referenced by the first calendar year of the fiscal year, e.g., "81" or "1981" means the 1981-82 fiscal year. By contrast, the federal 1981-82 fiscal year is often referenced as "82" or "1982," and lasts from October 1 through September 30.

Fund Balance:

Excess of the assets of a fund over

its liabilities and reserves. (See Balance Available, Special Fund for Economic Uncertainties and Surplus.)

Fund Condition Statement:

A statement included in the Governor's Budget for each special fund, special accounts in the General Fund, selected bond funds and Governmental Cost funds to disclose the fund assets, liabilities, reserves and surplus.

Funds:

A legal entity that provides for the segregation of moneys or other resources in the State Treasury for specific activities or obligations in accordance with specific restrictions or limitations. A separate set of accounts must be maintained for each fund to show its assets, liabilities, reserves and surplus (fund balance), as well as its income and expenditures. The assets of a fund may also be placed into separate accounts to provide for limitations on specified fund income or expenditures. (See "Description of Fund Classifications in State Treasury.")

General Fund:

The General Fund is the predominant fund for financing State operations. It is used to account for revenues which are not specifically designated to be accounted for by any other fund. The primary sources of revenue for the General Fund are the personal income tax, sales tax and bank and corporation taxes. A complete itemization of the revenue sources are listed in Schedule 8. The General Fund is used as the major funding source for education (K-12 and higher education), health and welfare programs, youth and adult correctional programs and tax relief. Schedule 9 provides a listing of expenditures for the General Fund.

Item:

(See Appropriation.)

Governmental Cost Funds:

(See Special Funds.)

Limited-Term Positions:

A limited-term position is any position which has been authorized for a specific length of time with a set termination date. Limited-term positions may be authorized during the budget enactment process or in transactions approved by the Department of Finance.

Line Item:

(See Objects.)

Local Assistance:

Expenditures made for the support of local government activities.

Local Mandates:

(See State-Mandated Local Program.)

Merit Salary Adjustment:

A cost factor resulting from the periodic increase in salaries paid to personnel occupying authorized positions. Personnel generally receive a salary adjustment of 5 percent per year to recognize proficiency in the work performed up to the upper salary limit of the work classification.

Minor Capital Outlay:

Minor Capital Outlay consists of construction projects or equipment acquired to complete a construction project estimated to cost less than \$200,000.

Objects (line items):

A subclassification of expenditures based on type of goods or services. For example, the Personal Services category includes the objects of Salaries and Wages and Staff Benefits. These may be further subdivided into line items as State Employees' Retirement, Workers' Compensation, etc. Objects do not reflect a function or purpose to be served by the expenditure. A Summary by Object is provided for each department's budget in the Governor's Budget for State Operations, Local Assistance and Capital Outlay expenditures. The Department of Finance publishes a Uniform Codes

Manual which reflects the standard line-item objects of expenditure.

Past Year (PY):

The fiscal year just completed. (See Fiscal Year.)

Personnel Years:

The actual or estimated portion of a position expended for the performance of work. For example, a full-time position which was filled by an employee for half of a year would result in an expenditure of 0.5 personnel years.

Positions:

(See Authorized Positions.)

Programs:

The activities of an organization grouped on the basis of common objectives. Programs are comprised of elements, which can be further divided into components and tasks (the lowest defined program activity).

Proposed New Positions:

A request for an authorization to expend funds for the employment of additional people for the performance of work. Proposed new positions may be for limited-time periods (limited term) and for full or less than full-time. Proposed new positions may be for an authorization sufficient to employ one person, or for a sum of funds (blanket) from which several people may be employed.

Reappropriation:

The extension of the availability of an appropriation for expenditure beyond its set termination date and/or for a new purpose. Reappropriations are usually authorized by the Legislature for one year extensions at a time.

Receipts:

Describes an increase in the assets of a fund including revenues as well as transfers from other funds, federal receipts and fund reimbursements.

Reconciliation With Appropriations:

A statement in each budget presentation which sets forth the source and amount of appropriations, by fund, available to the department and the disposition of such appropriated funds. Statements are presented by fund for each character of expenditure, i.e., State Operations, Local Assistance and Capital Outlay.

Reimbursements:

Amount received as a repayment of the cost of work, or service performed, or of other expenditures made for or on behalf of another governmental unit or department. Reimbursements represent the recovery of an expenditure. Reimbursements are available for expenditure in accordance with the budgeted amount (scheduled in an appropriation).

Special Fund for Economic Uncertainties:

Statutes and the control sections of the Budget Act provide for the establishment of a Special Fund for Economic Uncertainties and a reserve in each special fund to provide for emergency situations. The appropriation of such funds from the reserves are not subject to the appropriation limits imposed on other appropriations. (See Appropriations Limit.)

Reserve:

An amount set aside in a fund to provide for expenditures from the unencumbered balances of continuing appropriations, economic uncertainties, future apportionments, for pending salary or price increase appropriations and appropriation for capital outlay projects.

Revenue:

The addition to cash or other current assets of governmental funds (receipts) which do not increase any liability or reserve and do not represent the recovery of an expenditure, i.e., reimbursements. Gener-

ally, revenue is derived from taxes, licenses and fees or investment earnings.

Reversion:

The return of the unused portion of an appropriation to the fund from which the appropriation was made. The undisbursed portion of an appropriation reverts two years after the last day of availability for encumbrance. The Budget Act often provides for the reversion of unused portions of appropriations when such reversion is to be made prior to the statutory limit.

Salary Savings:

Salary savings reflect personnel cost savings resulting from vacancies and downward reclassifications as a result of turnover of employees. The amount of budgeted salary savings is an estimate generally based on past year experience.

Special Funds:

Special funds is a generic term used for "governmental cost funds" other than the General Fund. Governmental cost funds generally are commonly defined as those funds used to account for revenues from taxes, licenses and fees where the use of such revenues is restricted by law for particular functions or activities of government. Examples of special funds are the transportation funds, fish and game funds and the professions and vocation funds. Revenues and expenditures of special funds are summarized in Schedules 8, 9 and 10.

Staff Benefits:

The staff benefits object represents the state costs of contributions for employees' retirement, OASDI, health and welfare benefits, workers' compensation, unemployment insurance, industrial disability leave benefits and nonindustrial disability leave benefits.

State-Mandated Local Program:

State reimbursements to local governments for the cost of activities required by legislative and execu-

tive acts. This requirement was established by Chapter 1406, Statutes of 1972 (SB 90) and further ratified by the adoption of Proposition 4 (a constitutional amendment) at the November 6, 1979 general election. (See Governor's Budget: 8885 Commission on State Mandates.)

State Operations:

Expenditures for the support of State government, exclusive of capital investments and expenditures for local government activities.

Summary by Object:

A summary of actual past year and estimated current and budget year expenditures for goods and services for each organization presented for State Operations, Capital Outlay and Local Assistance expenditures.

Summary of Program Requirements:

At the front of each departmental budget is a Summary of Program Requirements. It presents the various departmental programs by title, dollar totals and source of funds for the past, current and budget years.

Summary Schedules:

The Governor's Budget includes schedules which summarize state revenues, expenditures and other fiscal and personnel data for the past, current and budget years. (See Schedules 1-14.)

Tax Expenditures:

Subsidies provided through the taxation systems.

Transfers:

As reflected in fund condition statements, reflects the movement of resources from one fund to another based on statutory authorization or specific legislative transfer appropriation authority.

Description of Key Schedules

The Budget includes summary information in various schedules. The following schedules are those which may be the most useful for the public, private sector, or other levels of government.

SCHEDULE 1. *General Budget Summary*—Provides for a fund condition statement for the General Fund and the total of the Special funds plus expenditure totals for the Selected Bond funds.

SCHEDULE 2. *Total State Spending Plan*—Provides in a single schedule the State's total spending plan. In addition to the General Fund, Special funds, and Selected Bond funds, expenditures from Nongovernmental Cost funds and Federal funds are shown.

SCHEDULE 3A. *Total State Spending Plan by Generally Accepted Accounting Principles (GAAP) Fund Classifications*—Provides in a single schedule the State's Total Spending Plan (Schedule 2) rearranged into GAAP Fund Classifications.

SCHEDULE 3B. *Comparison of California's Current Fund Structure to Recommended GAAP Fund Classifications*—Provides a comparison of California's Current Fund Structure to recommended GAAP Fund Classifications.

SCHEDULE 4A. *Personnel Years and Salary Cost Estimates*—Provides personnel year data and corresponding dollar amounts by functional breakdown and position classifications. This schedule reflects net data after salary savings.

SCHEDULE 4B. *Positions and Salary Cost Estimates*—Provides position and personnel year data and corresponding dollar amounts by functional breakdown. This schedule reflects both gross data before salary savings and net totals, salaries and wages.

SCHEDULE 5. *Summary of State Population, Employees, and Expenditures*—Provides historical data of State population, employees and expenditures.

SCHEDULE 6. *General Fund—Analysis of Change in Reserves*—Provides a comparison of the General Fund amounts presented in the previous Governor's Budget to the amounts presented in this Governor's Budget.

SCHEDULE 7. *General Fund: Statement of Financial Condition*—Provides the financial condition of the General Fund as of June 30, 1988 from the most recently available information from the State Controller.

SCHEDULE 8. *Comparative Statement of Revenues*—Provides General Fund and Special fund revenue detailed amounts within three main breakdowns of: (1) major taxes and licenses, (2) other revenues, and (3) transfers.

SCHEDULE 9. *Comparative Statement of Expenditures*—Provides a listing of expenditures in the order of printing of individual budgets from the General Fund, Special funds, Selected Bond funds and Federal funds for State operations, local assistance and capital outlay.

SCHEDULE 9A. *Proposition 98 General Fund Expenditures*—Provides a listing of expenditures for Education programs for grades K-14 which are subject to Proposition 98 passed by the electorate in November of 1988.

SCHEDULE 10. *Summary of Fund Condition Statements*—Provides for the General Fund and each Special fund the beginning reserve, income, expenditures, transfers, and ending reserve for each of the three fiscal years displayed in the Governor's Budget.

SCHEDULE 11. *Statement of Cash and Securities*—Provides a listing of cash, securities and amounts due from the Surplus Money Investment Fund for all funds maintained in the State Treasury.

SCHEDULE 12. *Comparative Statement of Expenditures as Required by Law*—Provides a listing of expenditures authorized by constitutional or statutory appropriation authority.

SCHEDULE 13. *Statement of Bonded Debt*—Provides a listing of all general obligation bonds as of December 31, 1988 including maturity dates, authorized amount of bond issues, unsold issues, redemptions and outstanding issues.

SCHEDULE 14A. *Revenues to Excluded Funds*—Provides a listing of revenues to special funds that are not included in the calculation of total appropriations subject to the State Appropriations Limit.

SCHEDULE 14B. *Non-tax Revenues in Funds Subject to Limit*—Provides a total of non-tax revenues for General and Special funds deposited in funds that are included in the calculation of total appropriations subject to the State Appropriations Limit.

SCHEDULE 14C. *Transfers from Excluded Funds to Included Funds*—Provides a listing of transfers between funds that are included in calculating the appropriations subject to the Limit.

SCHEDULE 14D. *Expenditures Excluded from Limit by Agency*—Provides a distribution of actual gross appropriations that are excluded from appropriations subject to the limit.

Description of Fund Classifications in the State Treasury

Revenues and expenditures in the program budget and the summary schedules reflect the activities of many separate funds. Schedules 10 and 11 provide a complete list of these funds. The Index lists those funds for which Fund Conditions are included in the budget and references the page number. General Fund and Special Fund expenditures represent the cost of government and are included in budget totals, and along with selected Bond Funds, are included in the overall expenditure totals. In 1981-82 the State of California began to change classification of funds in the state treasury to conform to Generally Accepted Accounting Principles as set forth by the National Council on Governmental Accounting. Schedule 3 includes a description of these changes and shows their effect on the 1989-90 budget totals.

General Fund. Used to account for all revenues and activities financed therefrom which are not required by law to be accounted by any other fund. Most state expenditures are financed from the General Fund. Normally, the only difference between the General Fund and the other governmental costs funds is the restriction placed on the use of the other governmental cost funds.

Special Funds. Consists of governmental cost funds used to account for taxes and revenues which are restricted by law for particular functions or activities of government. The funds included in these classifications are primarily for the regulation of businesses, professions and vocations; transportation; law enforcement and capital outlay.

General Fund Special Accounts. Legislatively created accounts or

dedicated revenues within the General Fund. Moneys credited to such accounts may be used only for the purposes specified in the legislation. As a result of Chapter 942, Statutes of 1977, these special accounts are treated as special funds and revenues and expenditures are included in the special funds totals in the summary schedules of the budget. They are therefore excluded from the General Fund unrestricted revenues, expenditures and reserves.

Other Funds. See Schedule 11 for a list of funds which do not represent a cost of government. Expenditures from these funds are not included in the budget totals. They consist of moneys which were derived from sources other than general or special taxes, licenses, fees or other state revenues. Included are receipts from the Federal Government, funds created for accounting purposes, receipts from sale of lands, or moneys held in trust. These funds are segregated into the following classifications:

Working Capital and Revolving Funds. Funds created to finance internal service activities rendered by a state agency to other state agencies or to local governments for which charges are made at cost. The charges are reflected as expenditures in the budget of the agency receiving the commodity or service.

Public Service Enterprise Funds. Self supporting activities operated by the State for the benefit of the public. Funds are derived from charges to those who use the service and no support is derived from taxes, licenses or other state revenues.

Bond Funds. Used to account for the receipt and disbursement of

proceeds from the sale of bonds and to finance projects for which the bonds were authorized. Expenditures are considered a cost of government at the time interest payments are made and as the bonds are redeemed.

Retirement Funds. Moneys held in trust by the State for retirement benefit payments.

Trust and Agency Funds. Funds holding moneys in trust pending disbursements to trustors, moneys received from the Federal Government to be expended for specific purposes, and other funds which do not derive their sources from taxes or other state revenues, or are in the nature of transitory funds created for the convenience of accounting receipts or disbursements which are not necessarily revenues or expenditures.

Selected Bond Funds. Included in the overall expenditures totals of Schedules 1 and 9 for budget purposes are expenditures from the following funds:

Bond Proceeds Account, State School Building Lease-Purchase Fund (743)

California Earthquake Safety and Housing Rehabilitation Bond Account, Housing Rehabilitation Loan Fund (788)

California Library Construction and Renovation Fund (794)

California Safe Drinking Water Fund (707)

California Safe Drinking Water Fund of 1988 (793)

California School Finance Authority Fund (719)

California Wildlife, Coastal, and Parkland Conservation Fund of 1988 (786)

Community Parklands Fund (716)	Expenditure Fund (711)
County Jail Capital Expenditure Fund, Bond Act of 1981 (725)	1988 Higher Education Capital Outlay Bond Fund (785)
County Jail Capital Expenditure Fund, Bond Act of 1984 (727)	1984 Prison Construction Fund (724)
Fish and Wildlife Habitat Enhancement Fund (748)	1986 Prison Construction Fund (746)
Health Science Facilities Construction Program Fund (718)	1988 Prison Construction Fund (747)
Higher Education Capital Outlay Bond Fund (782)	1984 State Clean Water Bond Fund (740)
Home Building and Rehabilitation Fund (714)	1986 Toxics Bond Fund (783)
Lake Tahoe Acquisitions Fund (720)	1988 Water Conservation Fund (790)
New Prison Construction Fund (723)	1986 Water Conservation and Water Quality Bond Fund (744)
New Prison Construction Revenue Fund (781)	
Parklands Fund of 1980 (721)	
Parklands Fund of 1984 (722)	
Recreation and Fish and Wildlife Enhancement Fund (728)	
Refunding Escrow Fund (749)	
Santa Monica Mountains Conservancy Fund (784)	
School Facilities June 1988 Bond Account, State School Building Lease-Purchase Fund (789)	
State Beach, Park, Recreational and Historical Facilities Fund of 1964 (732)	
State Beach, Park, Recreational and Historical Facilities Fund of 1974 (733)	
State Clean Water Fund (734)	
State Clean Water and Water Conservation Fund (737)	
State Coastal Conservancy Fund of 1984 (730)	
State Construction Program Fund (736)	
State, Urban and Coastal Park Fund Bond Act of 1976 (742)	
Superconducting Super Collider Development Fund (715)	
Wildlife and Natural Areas Conservation Fund (787)	
1988 County Correctional Facility Capital Expenditure and Youth Facility Bond Fund of 1988 (796)	
1986 County Correctional Facilities	



Schedule 1
GENERAL BUDGET SUMMARY ^a
(In thousands)

<i>1987-88 ^b</i>	<i>Reference to Schedule</i>	<i>General Fund</i>	<i>Special Funds</i>	<i>Budget Expenditure Totals</i>	<i>Selected Bond Fund Expenditures</i>	<i>Expenditure Totals Including Bonds</i>
Prior year resources available.....	10	\$661,521	\$1,493,786			
Revenues and transfers.....	8	32,533,947	6,239,236			
Expenditures.....	9	33,020,822	6,613,715	\$39,634,537	\$817,080	\$40,451,617
Fund Balance	7	\$174,646	\$1,119,307			
<i>Special Fund for Economic Uncertainties.....</i>		3,646	—			
<i>Reserve for Liquidation of Encumbrances ^d...</i>		171,000	—			
<i>Reserves for Economic Uncertainties.....</i>		—	1,119,307			
<i>1988-89</i>						
Prior year resources available.....	7	\$174,646	\$1,119,310			
Revenues and transfers	8	36,001,960	7,899,141			
Expenditures	9	35,922,385	7,535,094	\$43,457,479	\$1,610,857	\$45,068,336
Fund Balance	10	\$254,221	\$1,483,357			
<i>Budget Reserves.....</i>		42,546	—			
<i>Less Reserve for Education (K-14) ^d.....</i>		— 39,325	—			
<i>Special Fund for Economic Uncertainties..</i>		3,221	—			
<i>Reserves for Economic Uncertainties.....</i>		—	1,483,357			
<i>Reserve for Liquidation of Encumbrances ^e...</i>		251,000	—			
<i>1989-90</i>						
Prior year resources available.....	10	\$254,221	\$1,483,359			
Revenues and transfers	8	38,876,824	7,149,547			
Expenditures	9	38,010,045	8,092,593	\$46,102,638	\$1,651,151	\$47,753,789
Fund Balance	10	\$1,121,000	\$540,313			
<i>Budget Reserves.....</i>		1,100,000	—			
<i>Less Reserve for Education (K-14) ^d.....</i>		— 230,000	—			
<i>Special Fund for Economic Uncertainties..</i>		870,000	—			
<i>Reserves for Economic Uncertainties.....</i>		—	540,313			
<i>Reserve for Liquidation of Encumbrances ^e...</i>		251,000	—			

^a The General Budget Summary includes the revenues and expenditures of all state funds that reflect the cost of State government and selected bond fund expenditures. The transactions involving other nongovernmental cost funds are excluded. The amounts included in this schedule for expenditures and revenues may not agree with those shown in Schedules 8, 9, 10 and 12 due to rounding.

^b Due to lack of time for complete reconciliation to the State Controller's preliminary fiscal data for their annual report, the amounts reflected in the 1987-88 fiscal year do not agree with the data which will be included in the State Controller's Annual Report. See Schedule 7 which follows for a reconciliation of the Fund Balance as of June 30, 1988 between the State Controller's Preliminary Annual Report and the amount reported in this Schedule.

^c The Special Fund for Economic Uncertainties and the Reserves for Economic Uncertainties provide sources of funds to meet State General Fund and Special Funds obligations in the event of a decline in revenues or an unanticipated increase in expenditures.

^d The Reserve for Education (K-14) represents a contingency amount set aside to meet the State's obligation to conform to Proposition 98 passed by the electorate in November 1988.

^e The Reserve for Liquidation of Encumbrances represents an amount which will be expended in the future for state obligations for which goods and services have not been received. This Reserve treatment is consistent with accounting methodology recommended by Generally Accepted Accounting Principles (GAAP) and Chapter 1286, Statutes of 1984 (AB 3372) which requires the State to conform its fiscal management system to GAAP.

Schedule 2 TOTAL STATE SPENDING PLAN

This Schedule is included for informational purposes to show in one place the expenditures of all funds which are accounted for by the State.

A basic premise in a consolidation such as this is that the State is the financial unit and individual funds are subsidiary units to the State. This is similar to financial units in the private sector in which diversified commercial corporations with several subsidiaries report their operation on a consolidated basis—but is a contrast to traditional governmental accounting, which has held that the individual funds are the financial units and should not be consolidated with other funds or types of funds. A total consolidation presents both theoretical and practical problems because of the individual nature of each fund. In essence, each fund is a separate fiscal and legal entity that operates under the specific legal provisions that created it. Examples of problems which may arise from an unqualified consolidation are (1) funds are accounted for in a different manner, (2) duplication of expenditures result, (3) expenditures from non-state funds are included, and (4) expenditures are included for quasi-state operations such as Workers' Compensation and for payment of retirement benefits for other governmental units.

In order to minimize misinterpretations, this Schedule is displayed in two parts. Part A summarizes those expenditures from funds traditionally included in budget totals; Part B summarizes expenditures from the other funds which are collectively identified as nongovernmental cost funds. Schedule 2, in either part, does not include reimbursements received from the public or other levels of government, as these are deducted from State expenditures.

Total State Spending Plan—Part A Governmental Cost, Selected Bond Funds and Federal Funds

As stated above, Part A summarizes expenditures from funds which are traditionally included as part of State expenditure summaries in the Governor's Budget and other State financial reports. The major portion of the expenditures shown in Part A is for the General Fund and the various special funds which are commonly referred to as "governmental cost funds." This term is used because these funds are used to account for moneys which are derived from general and special taxes, licenses, fees or other revenue sources to provide financing for State activities which are for the general purposes of State government.

The selected bond funds are included in Part A because of the historical legislative interest in showing these expenditures in budget totals. It should be noted that there is a duplication in showing these expenditure amounts from bond proceeds because the expenditures are included both when bond proceeds are spent and when debt service is paid.

The Federal funds have also been included in Part A because of increasing interest in the level of the State's expenditure of Federal funds. The detail of expenditures by department for the General Fund, special funds, selected bond funds and Federal funds is shown in Schedule 9.

<i>Funds</i>	<i>1987-88*</i>	<i>1988-89*</i>	<i>1989-90*</i>
Governmental Cost Funds:			
General Fund	\$33,020,822	\$35,922,385	\$38,010,045
Special Funds	6,613,715	7,535,094	8,092,593
Totals, Governmental Cost Funds.....	\$39,634,537	\$43,457,479	\$46,102,638
Selected Bond Funds.....	817,080	1,610,857	1,651,151
Totals, Governmental Cost Funds and Selected Bond Funds	\$40,451,617	\$45,068,336	\$47,753,789
Federal Funds	14,950,214	17,940,984	18,485,532
TOTALS	\$55,401,831	\$63,009,320	\$66,239,321

Total State Spending Plan—Part B Nongovernmental Cost Funds

Nongovernmental cost funds are used to account for moneys which are derived from sources other than general or special taxes, licenses, fees or other state revenues. Although Federal funds and bond funds are classified as nongovernmental costs funds, they are included in Part A for reasons cited therein. The nongovernmental cost funds shown in Part B are segregated into the following classifications.

PUBLIC SERVICE ENTERPRISE FUNDS

Public Service Enterprise Funds are used to account for the transactions of self-supporting enterprises which render services for a charge primarily to the general public.

Activities which are accounted through Public Service Enterprise Funds include toll bridges, harbor facilities, disability insurance, college housing, and veterans farm and home loan financing. Bond funds and sinking funds related to a public service enterprise are included in this classification.

Public Service Enterprise Funds differ from Working Capital and Revolving Funds in that, in the latter, fees for services rendered are largely from other State agencies or local governments.

It should be noted that expenditures shown below from the Compensation Insurance Fund do not include benefit payments to State employees because the State is self-funded. The expenditures shown are benefits paid from funding provided through insurance premiums and therefore are not true State costs.

WORKING CAPITAL AND REVOLVING FUNDS

Working Capital and Revolving Funds are used to account for the internal service activities rendered by a State agency to other State agencies or to local governments. Activities which are accounted through Working Capital and Revolving Funds include centralized purchasing for stores, consolidated data center services, printing, architectural services, manufacturing, surplus money investment, payroll disbursement, automotive management, and building operations.

Working Capital and Revolving Funds differ from the Public Service Enterprise Funds, which render services primarily to the general public. To the extent that services are provided to other State agencies, expenditures shown in Working Capital and Revolving Funds are duplicative of expenditures shown in the agencies.

BOND FUNDS

Bond Funds are used to account for the receipt and disbursement of bond proceeds. They do not account for bond retirement since the liability created by the sale of bonds is not a liability of these funds. Bonds are retired and the interest obligations thereon are paid through the provisions specified in the bond act.

Bond Funds related to a public service enterprise are included in the Public Service Enterprise Fund classification.

RETIREMENT FUNDS

Retirement Funds are used to account for employer and member contributions received by various retirement systems, the investment of these moneys, annuity payments, refunds to members, and other receipts and disbursements. The amounts shown below reflect both administrative costs and benefits paid to annuitants. For the Public Employees' Retirement Fund and the Teachers' Retirement Fund, funding includes non-state sources and expenditures therefrom are not true State costs. Also, costs funded from amounts transferred into these funds from other State agencies are duplicative of expenditures shown in the agencies.

OTHER NONGOVERNMENTAL COST FUNDS

For selected programs, the State budget has traditionally included funding provided by county funds and university funds for informational purposes. Because of inclusion in the budget, these expenditures are shown in Schedule 2. The balance of funds shown in this classification are for Trust and Agency Funds which are used to account for moneys and properties that are received from other than Federal sources and which are held and disbursed from the State Treasury by the State as trustee or custodian.

The following provides detail for the significant funds and amounts which comprise the various categories of Nongovernmental Cost Funds:

<i>Funds</i>	<i>1987-88 Amount</i>	<i>1988-89 Amount</i>	<i>1989-90 Amount</i>
PUBLIC SERVICE ENTERPRISE FUNDS:			
Water Resources Development Bond Fund	\$210,456	\$274,723	\$279,308
Central Valley Water Project Const Fund	124,307	132,993	152,540
Central Valley Water Project Revenue Fund	178,877	241,263	254,207
Compensation Insurance Fund	1,548,373	1,790,000	2,024,000
Harbors and Watercraft Revolving Fund	32,712	34,892	36,512
Univ & College Cont Educ Revenue Fund, St.	46,642	45,383	48,752
Unemployment Compensation Disability Fund	1,468,202	1,536,540	1,576,365
Veterans Farm & Home Building Fund 1943.....	945,326	1,110,702	1,191,402
Others.....	310,383	301,034	301,389
* Totals, Public Service Enterprise Funds	\$4,865,278	\$5,467,530	\$5,864,475
WORKING CAPITAL AND REVOLVING FUNDS:			
Architecture Revolving Fund.....	14,997	13,999	19,230
Health and Welfare Agency Data Cent Rev Fund	44,826	60,066	69,024
Service Revolving Fund.....	278,219	297,241	316,989
Stephen P. Teale Data Center Rev Fund.....	52,967	69,708	82,230
Others.....	301,489	463,344	281,386
* Totals, Working Capital and Revolving Funds.....	\$692,498	\$904,358	\$768,859
BOND FUNDS—OTHER:			
School Building Aid Fund, State.....	77,728	71,569	72,947
Others.....	25,387	52,772	155
* Totals, Bond Funds—Other.....	\$103,115	\$124,341	\$73,102
RETIREMENT FUNDS:			
Judges' Retirement Fund	39,845	43,033	48,654
Legislators' Retirement Fund.....	4,056	4,389	4,834
Public Employees' Retirement Fund.....	1,877,330	2,080,424	2,306,149
Teachers' Retirement Fund	1,242,859	1,366,361	1,665,873
* Totals, Retirement Funds	\$3,164,090	\$3,494,207	\$4,025,510
OTHER NONGOVERNMENTAL COST FUNDS:			
Transportation Revolving Account, STF.....	30	—	—
Highway Construction Revolving Account.....	—	5,000	—
University Funds	2,462,376	2,811,192	3,091,963
Others.....	6,313,948	6,575,509	6,581,687
* Totals, Other Nongovernmental Cost Funds	\$8,776,354	\$9,391,701	\$9,673,650
TOTALS, ALL NONGOVERNMENTAL COST FUNDS	\$17,601,335	\$19,382,137	\$20,405,596

* Dollars in thousands

IMPLEMENTATION OF GENERALLY ACCEPTED ACCOUNTING PRINCIPLES

Implementation of Chapter 1286, Statutes of 1984, requires the state to conform its financial management system to Generally Accepted Accounting Principles (GAAP) to the extent that the Department of Finance deems it to be in the best interest of the State.

GAAP represents uniform minimum standards and guidelines for financial accounting and reporting. The goal of GAAP is to standardize the accounting and financial reporting of organizations regardless of jurisdictional legal provisions and customs. The purpose of "Governmental GAAP" is to provide a uniform set of rules so the presentation of governmental financial reports for taxpayers, bond rating companies, legislators and other readers are consistent from year to year, as well as comparable between governmental entities.

The Governmental Accounting Standards Board (GASB) establishes accounting and financial reporting standards for activities and transactions of state and local governmental entities. The State of California currently is a dues-paying member of the GASB organization and provides input for the various issues being studied by GASB.

An effort is currently underway within the Department of Finance to ensure that the budget and financial statements of the state are more understandable and are presented in a fair and consistent manner through the application of Generally Accepted Accounting Principles.

The Department of Finance has taken the following actions to implement GAAP:

1. A work group was established to review the changes required by GAAP and to establish priorities and task assignments.
2. In 1986-87, the Governor's Budget and Budget Act changed the classification of student fees in the California State University System to revenue rather than reimbursements.
3. In 1986-87, the Governor's Budget and Budget Act changed the classification of State Hospital Medical Care receipts to reimbursements rather than revenue.
4. In 1987-88, the Governor's Budget displayed the interest and redemption costs of general obligation bonds in the relevant program area for each bond.
5. The Financial and Performance Accountability Unit (FPA) of the Department of Finance is currently rewriting the sections of the State Administrative Manual covering proprietary funds to bring them into conformance with GAAP.
6. The "Fund Manual" for California has been rewritten to bring it into conformance with GAAP.
7. The 1989-90 Governor's Budget provides for the treatment of General Fund encumbrances as a reservation of fund balance rather than expenditures. This treatment is consistent with the GAAP standard that encumbrances are obligations for which goods and services have not been received and which therefor should not be shown as expenditures.

The State's fiscal system is highly complex with many interrelationships between budgeting and accounting. Consequently, some of the changes in accounting that are necessary to conform to GAAP impact the budget system and/or the Governor's Budget presentations. These interrelationships will result in the GAAP changes being accomplished over a number of years.

The following two charts illustrate the effect of conversion to GAAP fund classifications:

Schedule 3A shows the "Total State Spending Plan" data shown in Schedule 2 rearranged into the GAAP classifications.

Schedule 3B uses 1989-90 budget totals to show California's current fund structure compared to recommended GAAP classifications.

SCHEDULE 3A TOTAL STATE SPENDING PLAN BY GAAP FUND CLASSIFICATION (In Thousands)

	1987-88	1988-89	1989-90
Governmental Funds			
General Fund	\$33,020,822	\$35,922,385	\$38,010,045
Special Revenue Funds	13,596,917	16,654,100	17,287,979
Capital Project Funds	432,344	1,202,918	1,242,799
Total Governmental Funds	\$47,050,083	\$53,779,403	\$56,540,823
Proprietary Funds			
Enterprise Funds	3,585,179	4,337,744	4,526,962
Internal Service Funds	388,349	442,801	485,520
Total Proprietary Funds	\$3,973,528	\$4,780,545	\$5,012,482
Fiduciary Funds			
Retirement Funds	3,164,090	3,494,207	4,025,510
Trust and Agency Funds—Other	5,708,656	6,071,452	6,172,248
Trust and Agency Funds—Federal	2,197,889	2,746,900	2,909,036
Total Fiduciary Funds	\$11,070,635	\$12,312,559	\$13,106,794
Funds Outside State Treasury			
Other	10,908,915	11,518,952	11,984,818
Total Funds Outside State Treasury	\$10,908,915	\$11,518,952	\$11,984,818
TOTAL SPENDING, ALL FUNDS	\$73,003,161	\$82,391,459	\$86,644,917

SCHEDULE 3B
COMPARISON OF CALIFORNIA CURRENT
FUND STRUCTURE AND RECOMMENDED GAAP FUND STRUCTURE
USING 1989-90 BUDGET TOTALS
(In Thousands)

FUND STRUCTURE BASED ON GAAP CLASSIFICATIONS

	<i>Governmental Funds</i>				<i>Proprietary Funds</i>		<i>Fiduciary Funds</i>		<i>Funds Outside State Treasury</i>	<i>Totals</i>
	<i>General Fund</i>	<i>Special Revenue Funds</i>	<i>Capital Projects Funds</i>	<i>Total Governmental Funds</i>	<i>Enterprise Funds</i>	<i>Internal Service Funds</i>	<i>Retirement Funds</i>	<i>Trust and Agency Funds</i>		
CURRENT FUND STRUCTURE										
Governmental Cost Funds										
General Fund	\$38,010,045	—	—	\$38,010,045	—	—	—	—	—	\$38,010,045
General Fund Special Accounts	—	\$238,151	—	238,151	\$40,315	\$11,095	—	\$33,488	—	323,049
Transportation Funds	—	2,421,352	—	2,421,352	—	—	—	2,829,925	—	5,251,277
Feeder Funds	—	—	—	—	—	—	—	71,000	—	71,000
Other Governmental Cost Funds	—	2,400,475	\$2,018	2,402,493	—	—	—	44,774	—	2,447,267
Total Governmental Cost Funds	\$38,010,045	\$5,059,978	\$2,018	\$43,072,041	\$40,315	\$11,095	—	\$2,979,187	—	\$46,102,638
Selected Bond Funds	—	—	1,220,576	1,220,576	—	—	—	430,575	—	1,651,151
Total Governmental Cost Funds and Selected Bond Funds	\$38,010,045	\$5,059,978	\$1,222,594	\$44,292,617	\$40,315	\$11,095	—	\$3,409,762	—	\$47,753,789
Nongovernmental Cost Funds										
Public Service Enterprise Funds	—	—	500	500	\$4,201,273	—	—	1,662,702	—	5,864,475
Working Capital and Revolving Funds	—	12,301	19,550	31,851	261,594	474,425	—	989	—	768,859
Bond Funds—Other	—	—	155	155	—	—	—	72,947	—	73,102
Trust and Agency Funds:										
Retirement Funds	—	—	—	—	—	—	\$4,025,510	—	—	4,025,510
Trust and Agency Funds—Federal	—	12,210,124	—	12,210,124	—	—	—	2,909,036	\$3,366,372	18,485,532
Trust and Agency Funds—Other	—	5,576	—	5,576	23,780	—	—	1,025,848	—	1,055,204
Other Nongovernmental Cost Funds	—	—	—	—	—	—	—	—	8,618,446	8,618,446
Total Nongovernmental Cost Funds	—	\$12,228,001	\$20,205	\$12,248,206	\$4,486,647	\$474,425	\$4,025,510	\$5,671,522	\$11,984,818	\$38,891,128
TOTAL SPENDING, ALL FUNDS	\$38,010,045	\$17,287,979	\$1,242,799	\$56,540,823	\$4,526,962	\$485,520	\$4,025,510	\$9,081,284	\$11,984,818	\$86,644,917

SCHEDULE 4A
PERSONNEL YEARS AND SALARY COST ESTIMATES
(Excludes Staff Benefits)
(dollars in thousands)

<i>Function</i>	<i>Positions</i>			<i>Dollars</i>		
	<i>1987-88</i>	<i>1988-89</i>	<i>1989-90</i>	<i>1987-88</i>	<i>1988-89</i>	<i>1989-90</i>
Legislative/Judicial/Executive.....	11,201.3	12,273.2	12,493	\$357,937	\$564,485	\$840,049
State and Consumer Services.....	12,060.5	12,916.3	13,270.4	346,691	373,265	405,190
Business, Transportation and Housing.....	33,727.6	35,761.2	36,927.3	1,102,189	1,193,989	1,307,703
Resources.....	14,415.4	15,175.6	15,310.3	494,159	523,829	561,737
Health and Welfare	37,419.1	39,160.6	39,749.8	1,105,680	1,177,645	1,268,261
Youth and Adult Correctional.....	25,357	28,401.1	30,724.9	941,646	1,010,167	1,157,321
Education.....	92,838.2	93,284.6	94,676.5	3,358,307	3,598,955	3,881,695
General Government.....	10,741.9	11,568.5	12,198.5	321,148	373,421	604,488
NET TOTALS, SALARIES AND WAGES.....	237,761	248,541.1	255,350.7	\$8,027,757	\$8,815,756	\$10,026,444

SCHEDULE 4B
POSITIONS AND SALARY COST ESTIMATES
(Excludes Staff Benefits)
(dollars in thousands)

<i>Function</i>	<i>Positions</i>			<i>Dollars</i>		
	<i>1987-88</i>	<i>1988-89</i>	<i>1989-90</i>	<i>1987-88</i>	<i>1988-89</i>	<i>1989-90</i>
Legislative/Judicial/Executive.....	11,201.3	12,863.5	13,134.6	\$357,937	\$585,367	\$863,979
State and Consumer Services.....	12,060.5	13,715.9	13,983.3	346,691	394,840	427,522
Business Transportation and Housing.....	33,727.6	37,526.2	38,766.3	1,102,189	1,246,540	1,368,577
Resources.....	14,415.4	15,975.6	16,143.9	494,159	545,293	588,420
Health and Welfare.....	37,419.1	41,853.7	42,585.3	1,105,680	1,259,569	1,370,089
Youth and Adult Correctional Agency.....	25,357	30,131.1	32,088.3	941,646	1,066,451	1,204,682
Education.....	92,838.2	95,620.5	97,016.8	3,358,307	3,681,998	3,969,515
General Government.....	10,741.9	12,057.3	12,709.1	321,148	388,441	622,478
TOTALS, SALARIES AND WAGES ¹	237,761	259,743.8	266,427.6	\$8,027,757	\$9,168,499	\$10,415,262
<i>Less Salary Savings</i>	<u>—</u>	<u>—11,202.7</u>	<u>—11,076.9</u>	<u>—</u>	<u>—352,743</u>	<u>—388,818</u>
NET TOTALS, SALARIES AND WAGES	237,761	248,541.1	255,350.7	\$8,027,757	\$8,815,756	\$10,026,444

¹ As shown in departmental budgets as "Totals, Salaries and Wages."

SCHEDULE 5
SUMMARY OF STATE POPULATION, EMPLOYEES, AND EXPENDITURES

Year	Population ¹ (Thousands)	Employees	Employees Per 1,000 Population	Personal Income (Billions)	Revenue		Expenditures		Expenditures per Capita		Expenditures per \$100 of Personal Income	
					General Fund	Total	General Fund ²	Total ³	General Fund ²	General Total ³	General Fund ²	Total ³
					(Millions)	(Millions)	(Millions)	(Millions)	(Millions)	(Millions)	(Millions)	(Millions)
1950-51.....	10,643	61,000	5.7	\$19.8	\$672	\$994	\$587	\$1,006	\$55.15	\$94.52	\$2.96	\$5.08
1951-52.....	11,130	63,860	5.7	22.8	734	1,086	635	1,068	57.05	95.96	2.79	4.68
1952-53.....	11,638	65,720	5.6	25.4	774	1,151	714	1,177	61.35	101.13	2.81	4.63
1953-54.....	12,101	69,928	5.8	27.2	798	1,271	809	1,381	66.85	114.12	2.97	5.08
1954-55.....	12,517	74,099	5.9	28.1	879	1,434	852	1,422	68.07	113.61	3.03	5.06
1955-56.....	13,004	77,676	6.0	30.9	1,005	1,578	923	1,533	70.98	117.89	2.99	4.96
1956-57.....	13,581	88,299	6.5	33.8	1,079	1,834	1,030	1,732	75.84	127.53	3.05	5.12
1957-58.....	14,177	98,015	6.9	36.4	1,111	1,751	1,147	1,891	80.91	133.39	3.15	5.20
1958-59.....	14,741	101,982	6.9	38.1	1,210	1,925	1,246	1,932	84.53	131.06	3.27	5.07
1959-60.....	15,288	108,423	7.1	41.8	1,491	2,198	1,435	2,086	93.86	136.45	3.43	4.99
1960-61.....	15,863	115,737	7.3	44.2	1,598	2,338	1,678	2,525	105.78	159.18	3.80	5.71
1961-62.....	16,412	122,339	7.5	46.9	1,728	2,451	1,697	2,406	103.40	146.60	3.62	5.13
1962-63.....	16,951	128,981	7.6	50.6	1,866	2,668	1,881	2,703	110.97	159.46	3.72	5.34
1963-64.....	17,530	134,721	7.7	54.1	2,137	3,057	2,064	3,182	117.74	181.52	3.82	5.88
1964-65.....	18,026	143,896	8.0	58.7	2,245	3,295	2,345	3,652	130.09	202.60	3.99	6.22
1965-66.....	18,464	151,199	8.2	62.8	2,509	3,581	2,580	4,059	139.73	219.83	4.11	6.46
1966-67.....	18,831	158,404	8.4	68.3	2,895	4,073	3,017	4,659	160.21	247.41	4.42	6.82
1967-68.....	19,175	162,677	8.5	73.6	3,682	4,927	3,273	5,014	170.69	261.49	4.45	6.81
1968-69.....	19,432	171,655	8.8	80.6	4,136	5,450	3,909	5,673	201.16	291.94	4.85	7.04
1969-70.....	19,745	179,583	9.1	88.4	4,330	5,743	4,456	6,302	225.68	319.17	5.04	7.13
1970-71.....	20,039	181,581	9.1	95.0	4,534	5,919	4,854	6,556	242.23	327.16	5.11	6.90
1971-72.....	20,346	181,912	8.9	100.9	5,395	6,897	5,027	6,684	247.08	328.52	4.98	6.62
1972-73.....	20,585	188,460	9.2	110.3	5,780	7,366	5,616	7,422	272.82	360.55	5.09	6.73
1973-74.....	20,869	192,918	9.2	121.8	6,978	8,715	7,299	9,311	349.75	446.16	5.99	7.64
1974-75.....	21,174	203,548	9.6	136.2	8,630	10,405	8,349	10,276	394.30	485.31	6.13	7.54
1975-76.....	21,538	206,361	9.6	149.7	9,639	11,567	9,518	11,452	441.92	531.71	6.36	7.65
1976-77.....	21,936	213,795	9.7	167.7	11,381	13,463	10,467	12,632	477.16	575.86	6.24	7.53
1977-78.....	22,352	221,251	9.9	187.1	13,695	15,962	11,686	14,003	522.82	626.48	6.25	7.48
1978-79.....	22,836	218,530	9.6	214.9	15,219	17,711	16,251	18,745	711.64	820.85	7.56	8.72
1979-80.....	23,257	220,193	9.5	244.8	17,985	20,919	18,534	21,488	796.92	923.94	7.57	8.78
1980-81.....	23,780	225,567	9.5	276.1	19,023	22,104	21,105	24,511	887.51	1,030.74	7.64	8.88
1981-82.....	24,267	228,813	9.4	308.7	20,960	23,601	21,693	25,022	893.93	1,031.11	7.03	8.11
1982-83.....	24,786	228,489	9.2	328.0	21,233	24,291	21,751	25,330	877.55	1,021.95	6.63	7.72
1983-84.....	25,309	226,695	9.0	352.4	23,809	27,626	22,869	26,797	903.59	1,058.79	6.49	7.60
1984-85.....	25,780	229,845	8.9	389.2	26,536	31,570	25,722	30,961	997.75	1,200.97	6.61	7.96
1985-86.....	26,358	229,641	8.7	422.1	28,072	33,558	28,841	34,977	1,094.20	1,327.00	6.83	8.29
1986-87.....	27,001	232,927	8.6	453.4	32,519	37,767	31,469	38,079	1,165.48	1,410.28	6.94	8.40
1987-88.....	27,663	237,761	8.6	493.0	32,534	38,773	33,021	40,452	1,193.69	1,462.31	6.70	8.21

¹ Population as of July 1, the beginning of the fiscal year.

² Includes Special Accounts in General Fund from 1973-74 to 1976-77.

³ Expenditures include payments from General Fund, Special Funds and Selected Bond Funds beginning in 1963-64.

**Schedule 6
GENERAL FUND
ANALYSIS OF CHANGE IN RESERVES AS OF JUNE 30, 1989
FROM THE PREVIOUS GOVERNOR'S BUDGET
(In Thousands)**

<i>DETAIL OF CHANGES 1987-88 Fiscal Year (From previous Governor's Budget to the current Governor's Budget)</i>	<i>1988-89 Governor's Budget (previous estimate)</i>	<i>1989-90 Governor's Budget (revised estimate)</i>	<i>Effect of Changes on Reserves</i>
Prior year resources available.....	\$625,973	\$661,521	\$35,548
Revenues and Transfers:			
Revenues.....	33,581,418	32,360,162	- 1,221,256
Transfers.....	96,986	173,785	76,799
Totals, Revenues and Transfers.....	\$33,678,404	\$32,533,947	- \$1,144,457
Expenditures:			
State Operations.....	\$8,444,799	\$8,342,148	\$102,651
Capital Outlay.....	2,393	1,815	578
Local Assistance.....	24,894,569	24,926,970	- 32,401
Unclassified.....	867	- 250,111	250,978
Totals, Expenditures.....	\$33,342,628	\$33,020,822	\$321,806
 <i>1988-89 Fiscal Year (From previous Governor's Budget to the current Governor's Budget)</i>			
Revenues and Transfers:			
Revenues.....	\$36,222,918	\$35,836,666	- \$386,252
Transfers.....	25,598	165,294	139,696
Totals, Revenues and Transfers.....	\$36,248,516	\$36,001,960	- \$246,556
Expenditures:			
State Operations.....	\$9,077,346	\$8,972,954	\$104,392
Capital Outlay.....	442	647	- 205
Local Assistance.....	27,022,753	27,028,514	- 5,761
Unclassified.....	-	- 79,730	79,730
Totals, Expenditures.....	\$36,100,541	\$35,922,385	\$178,156
Total Effect of Changes on Reserves.....			- \$855,503
 TOTAL CHANGES			
Changes in Reserves:			
Special Fund for Economic Uncertainties including Disaster Response- Emergency Operations Account.....	\$1,109,724	\$3,221	- \$1,106,503
Reserve for Encumbrances.....	-	251,000	251,000
Total Reserves, June 30, 1989.....	\$1,109,724	\$254,221	- \$855,503

Schedule 7
GENERAL FUND
(in thousands)

STATEMENT OF FINANCIAL CONDITION

June 30, 1988

ASSETS	<i>General Fund Balances</i>	LIABILITIES	<i>General Fund Balances</i>
Cash in State Treasury and agency accounts.....	\$105,630	Accounts payable.....	\$652,790
Receivables.....	95,335	Due to other funds.....	633,897
Due from other funds.....	1,374,576	Due to other governments.....	441,475
Due from other governments.....	32,776	Accrued interest payable.....	93,192
Advances to other funds.....	7,000	Advance collections.....	32,609
Prepaid expenses.....	129,519	Deposits.....	831
Other assets.....	911	Other liabilities.....	23,169
TOTAL OPERATING ASSETS	<u>\$1,745,747</u>	Total Liabilities	<u>\$1,877,963</u>
 FUND BALANCE			
		Designated for Unencumbered Balances of Continuing Appropriations.....	\$269,376
		Special Fund for Economic Uncertainties.....	-
		Unreserved-Undesignated (Surplus).....	-401,592
		TOTAL FUND BALANCE	<u>-\$132,216 *</u>
		TOTAL LIABILITIES AND FUND BALANCE	<u>\$1,745,747</u>

LONG-TERM OBLIGATIONS

General obligation bonds.....	\$8,007,115
Less: self-liquidating bonds.....	4,370,665
Net general bonded debt.....	\$3,636,450
Interest payable in future years.....	1,992,577
Net Total Long-Term Obligations	<u>\$5,629,027</u>

* The total fund balance of -\$132,216 shown in this Statement of Financial Condition prepared by the State Controller differs from the Fund Balance of \$174,646 shown in the Schedule 1 (General Budget Summary) because of adjustments identified after the issuance of the State Controller's Preliminary Annual Report. The adjustments are summarized in the following table.

Controllers Preliminary Report.....	-\$132,216
Transfers to General Fund not reported for 1987-88.....	+37,110
Expenditure adjustments for 1986-87 and 1987-88.....	+6,336
Revenue adjustments for 1986-87 and 1987-88.....	+3,947
Encumbrance adjustments for 1986-87.....	+8,469
Encumbrance adjustments for 1987-88.....	+251,000
Adjusted Fund Balance per Schedule 1	<u>\$174,646</u>

COMPARATIVE STATEMENT OF REVENUES: FISCAL YEARS 1987-88, 1988-89, AND 1989-90

(dollars in thousands)

Sources	Actual 1987-88			Estimated 1988-89			Estimated 1989-90		
	General Fund	Special funds	Total	General Fund	Special funds	Total	General Fund	Special funds	Total
MAJOR TAXES AND LICENSES									
Excise Tax on Beer and Wine	30,585	-	30,585	31,000	-	31,000	32,000	-	32,000
Excise Tax on Distilled Spirits	98,149	-	98,149	96,000	-	96,000	94,000	-	94,000
Bank and Corporation (Income) Taxes	4,776,388	-	4,776,388	5,215,000	10,000	5,225,000	5,550,000	35,000	5,585,000
Cigarette Tax	175,973	74,599	250,572	172,000	373,000	545,000	167,000	696,000	863,000
Horse Racing Revenues	110,013	36,590	146,603	110,000	38,000	148,000	119,000	41,000	160,000
Inheritance Tax	304,148	-	304,148	376,000	-	376,000	421,000	-	421,000
Insurance Gross Premiums Tax	1,158,321	-	1,158,321	1,411,000	-	1,411,000	1,279,000	-	1,279,000
Trailer Coach License (In-Lieu) Fees	31,003	-	31,003	-	31,000	31,000	-	31,200	31,200
Motor Vehicle License (In-Lieu) Fees	1,846,787	-	1,846,787	-	1,984,000	1,984,000	-	2,134,000	2,134,000
Motor Vehicle Fuel Tax (Gasoline)	1,131,864	-	1,131,864	-	1,149,850	1,149,850	-	1,169,850	1,169,850
Motor Vehicle Fuel Tax (Diesel)	147,868	-	147,868	-	154,000	154,000	-	160,000	160,000
Motor Vehicle Registration	1,096,325	-	1,096,325	-	1,145,008	1,145,008	-	1,196,508	1,196,508
Personal Income Tax	12,947,185	-	12,947,185	14,715,000	13,100	14,728,100	16,350,000	13,100	16,363,100
Retail Sales and Use Taxes	11,630,531	20,000	11,650,531	12,520,000	73,000	12,593,000	13,368,000	80,000	13,448,000
TOTALS, MAJOR TAXES AND LICENSES	31,231,293	4,384,836	35,616,129	34,646,000	4,970,958	39,616,958	37,380,000	5,556,658	42,936,658
MINOR REVENUES									
REGULATORY TAXES AND LICENSES									
General Fish and Game Taxes	-	1,439	1,439	-	1,700	1,700	-	1,700	1,700
Electrical Energy Tax	-	36,942	36,942	-	37,615	37,615	-	38,301	38,301
Quarterly Public Util Commission Fees	-	58,991	58,991	-	52,997	52,997	-	53,655	53,655
Liquor License Fees	31,441	-	31,441	31,819	-	31,819	32,613	-	32,613
Genetic Disease Testing Fees	-	19,883	19,883	-	23,800	23,800	-	25,600	25,600
Other Regulatory Taxes	7,161	49,426	56,587	8,494	49,202	57,696	8,867	50,248	59,115
General Fish and Game Lic Tags Permits	-	55,755	55,755	-	62,670	62,670	-	69,347	69,347
Other Regulatory Licenses and Permits	30,665	107,730	138,395	39,872	114,561	154,433	37,697	125,101	162,798
Universal Telephone Service Tax	-	11,778	11,778	-	-	-	-	-	-
Other	19,947	285,035	304,982	21,592	360,267	381,859	21,886	446,378	468,264
TOTALS, MINOR REVENUES	89,214	626,979	716,193	101,777	702,812	804,589	101,063	810,330	911,393
REVENUE FROM LOCAL AGENCIES									
County Costs-Mentally Ill Patients	24,556	-	24,556	31,000	-	31,000	33,000	-	33,000
Architecture Public Building Fees	-	21,078	21,078	-	25,510	25,510	-	26,786	26,786
Penalties on Traffic Violations	-	100,015	100,015	-	106,285	106,285	-	111,853	111,853
Other	17,598	27,966	45,564	19,584	28,184	47,768	21,784	29,826	51,610
TOTALS, REVENUE FROM LOCAL AGENCIES	42,154	149,059	191,213	50,584	153,979	210,563	54,784	168,465	223,249
SERVICES TO THE PUBLIC									
Pay Patients Board Charges	38,132	-	38,132	28,259	-	28,259	31,152	-	31,152
State Beach and Park Service Fees	-	37,563	37,563	-	38,308	38,308	-	39,208	39,208
Emergency Telephone Users Surcharge	-	40,532	40,532	-	42,767	42,767	-	60,079	60,079
Receipts From Health Care Deposit Fund	23,335	-	23,335	37,713	-	37,713	19,194	-	19,194
California State University Fees	268,962	-	268,962	327,054	-	327,054	359,787	-	359,787
Personalized License Plates	-	27,974	27,974	-	28,165	28,165	-	28,540	28,540
Other	29,806	39,512	69,318	24,006	42,939	66,945	25,462	49,341	74,803
TOTALS, SERVICES TO THE PUBLIC	360,235	145,581	505,816	417,032	152,179	569,211	435,595	177,168	612,763
USE OF PROPERTY AND MONEY									
Income From Pooled Money Investments	418,814	1,606	420,420	440,000	2,000	442,000	520,000	2,009	522,009
Income From Surplus Money Investments	9,542	150,422	159,964	11,963	138,365	150,328	12,000	128,752	140,752
Federal Lands Royalties	-	22,740	22,740	-	23,394	23,394	-	23,394	23,394
Oil & Gas Lease-1 Revenue City/County	352	-	352	300	-	300	300	-	300
Rentals of State Property	100,824	34,120	134,944	4,353	34,211	38,564	4,388	34,596	38,984
State Land Royalties	-	109,483	109,483	25,033	51,887	76,920	14,843	37,632	52,475

Appendix 22

COMPARATIVE STATEMENT OF REVENUES: FISCAL YEARS 1987-88, 1988-89, AND 1989-90—Continued
(dollars in thousands)

Sources	Actual 1987-88		Estimated 1988-89		Estimated 1989-90	
	General Fund	Special funds	Total	General Fund	Special funds	Total
Other	6,597	60,519	67,116	7,652	43,762	51,414
TOTALS,	540,536	378,890	919,426	489,301	293,619	782,920
MISCELLANEOUS						
Penalties & Interest on Ui & Di Contrib	-	36,165	36,165	-	39,859	39,859
Sale of Fixed Assets	10,175	1,455	11,630	939	-	939
Revenue-Abandoned Property	75,683	-	75,683	116,000	-	116,000
Miscellaneous Revenue	1,860	63,629	65,489	2,087	27,177	29,234
Penalties & Intrst on Personal Income Tx	-	10,465	10,465	-	11,298	11,298
Other Revenue - Cost Recoveries	634	2,114	2,114	4,875	2,500	2,500
Uninsured Motorist Fees	-	-	-	4,875	-	4,875
Parking Violations	1	-	1	-	-	-
Penalty Assessments	3,424	41,940	45,364	3,423	70,599	74,022
Other	4,953	12,656	17,609	4,678	13,055	17,733
TOTALS,	96,730	168,424	265,154	131,972	164,488	296,460
TOTALS, MINOR REVENUES	1,128,869	1,468,933	2,597,802	1,190,566	1,473,077	2,663,743
TOTALS, REVENUES	32,360,162	5,853,769	38,213,931	35,836,666	6,444,035	42,280,701
TRANSFERS & LOANS						
General Fund	-21,718	12,148	-9,570	-3,040	396	-2,644
Attorney General Anthrtrust Accou	67	-67	-	600	-600	-
Hazardous Waste Control Account	5,300	-5,300	-	5,000	-5,000	-
Fingerprint Fees Account	-	-	-	1,000	-1,000	-
Agricultural & Forestry Residue	4,868	-4,868	-	1,493	-1,493	-
Energy Conservation Assistance A	-	-	-	-	-	-
Geothermal Resources Development	-	-	-	-	-	-
Special Account for Capital Outl	3,442	-3,442	-	-	-	-
Aeronautics Account Sfr	-	-	-	-	-	-
Highway Account, State, Sfr	-	-50,000	-50,000	-	-	-
Motor Vehicle Account, Sfr	-	-	-	-	-	-
Transport Planning & Develop Acc	1,700	-1,700	-	48,671	-48,671	-
Highway Construct Revolv Act/St	-	-	-	-	4,200	4,200
Motor Vehicle Fuel Account, Tfr	-	-	-	-	-	-
Highway Users Tax Account, Tfr	-	-	-	-	-	-
Conserv Enforcement Svc Ac (Renu	-	-	-	-	-	-
Automotive Repair Fund	-	-	-	-	-	-
Water Device Certification Spec	-	-	-	-	-	-
Beverage Container Recycling Fun	5,000	-5,000	-	28	-28	-
Aids Vaccine Research Develop Gr	5,865	-5,865	-	-	-	-
Environmental License Plate Fund	-	-	-	-	-	-
Water Fund, California	1,000	-1,000	-	-	-	-
Unitary Fund, California	-	-	-	-	-	-
Outer Cont Shelf Land Act Sec 8g	-	-	-	-	-	-
Delinquent Tax Collection Fund	-	-	-	7,871	-7,871	-
Corrections Training Fund	-	-	-	-	-	-
Driver Training Penalty Assessme	16,906	-16,906	-	18,595	-18,595	-
Employment Development Contingen	21,575	-21,575	-	20,653	-20,653	-
Energy Resources Surcharge Fund	-	-	-	-	-	-
Energy and Resource Fund	84	-84	-	591	-591	-
Fair and Exposition Fund	626	-626	-	698	-698	-
Satellite Wagering Account	3,000	-3,000	-	-	-	-
Fire and Arson Training Fund, Ca	-	-	-	50	-50	-
Fish and Game Preservation Fund	490	-490	-	2,965	-2,965	-
Institution Fund	-	-	-	-	-	-

COMPARATIVE STATEMENT OF REVENUES: FISCAL YEARS 1987-88, 1988-89, AND 1989-90—Continued
(dollars in thousands)

Appendix 23

Schedule 9

COMPARATIVE STATEMENT OF EXPENDITURES BY CHARACTER, FUNCTION, ORGANIZATION UNIT AND FUND FISCAL YEARS 1987-88, 1988-89, AND 1989-90 (In thousands of dollars)

	Actual 1987-88			Estimated 1988-89			Estimated 1989-90			
	General Fund	Special funds	Budget Total	Selected Bond funds	Federal Funds	General Fund	Special funds	Budget Total	Selected Bond funds	Federal Funds
STATE OPERATIONS										
LEGISLATIVE, JUDICIAL, AND EXECUTIVE										
Legislature										
Senate	62,596	-1,041	61,555	-	-	63,844	-	63,844	-	-
Assembly	93,214	338	93,552	-	-	96,384	-	96,384	-	-
Joint Expenses	-	-	-	-	-	-	-	-	-	-
Totals, Legislature	155,810	-703	155,107	-	-	160,228	-	160,228	-	-
Contributions to Legislator Retire Fund	1,015	-	1,015	-	-	1,115	-	1,115	-	-
Office of the Auditor General	9,130	-	9,130	-	-	10,184	-	10,184	-	-
Legislative Counsel Bureau	16,493	-	16,493	-	-	17,985	-	17,985	-	-
Totals, Legislative	182,448	-703	181,745	-	-	189,512	-	189,512	-	-
Judicial										
Judiciary	88,063	60	88,123	-	-	106,975	1,777	108,752	119	128,269
Contributions to Judges Retirement Fund	1,909	-	1,909	-	-	2,068	-	2,068	-	-
National Center for State Courts	99	-	99	-	-	226	-	226	-	-
Totals, Judicial	90,071	60	90,131	-	-	109,269	1,777	111,046	119	130,927
Executive/Governor										
Governor's Office	6,915	-	6,915	-	-	7,458	-	7,458	-	8,171
Sec Fr St & Con Svc(See St & Con Svc Ag	-	-	-	-	-	-	-	-	-	-
Sec Fr Bus, Trsp & Hsg(See Bus,Trsp,Hsg	-	-	-	-	-	-	-	-	-	-
Sec for Hlth & Wel(See Hlth & Wel Agcy)	-	-	-	-	-	-	-	-	-	-
Sec for Resources (See Resources Agcy)	-	-	-	-	-	-	-	-	-	-
Sec Fr Yth & Adlt Cor(See Yth & Adlt Ag	-	-	-	-	-	-	-	-	-	-
Office of California/Mexico Affairs	261	-	261	-	-	272	-	272	-	279
California State World Trade Commission	1,528	1,000	2,528	-	-	2,824	-	2,824	-	2,015
Office of Planning and Research	3,683	100	3,783	-	347	3,853	108	3,961	108	4,275
Office of Emergency Services	11,859	745	12,604	-	4,000	10,181	3,323	13,504	3,299	13,532
Totals, Executive/Governor	24,246	1,845	26,091	-	4,347	24,588	3,431	28,019	3,407	28,272
Executive/Constitutional Offices										
Office of the Lieutenant Governor	1,529	-	1,529	-	-	1,449	-	1,449	-	1,514
Department of Justice	155,934	28,712	184,646	-	7,535	154,683	31,341	186,024	34,864	197,817
State Controller	64,185	2,483	66,668	-	986	61,621	2,716	64,337	2,908	72,326
State Board of Equalization	98,114	6,566	104,680	-	-	101,427	6,735	108,162	10,491	120,786
Secretary of State	24,206	-	24,206	-	-	28,077	-	28,077	-	22,571
State Treasurer	6,336	-	6,336	-	-	6,025	-	6,025	-	6,525
California Debt Advisory Commission	-	915	915	-	-	1,181	1,181	1,181	1,125	1,125
California Debt Limit Allocation Commit	155	-	155	-	-	222	222	222	229	229
Calif Industrial Dev Financing Adv Comm	-	293	293	-	-	363	363	363	380	380
Mortgage Bond & Tax Credit Alloc Commit	-	-	-	-	-	-	-	-	-	-
Self-Esteem Personal Social Responsibility	195	115	115	-	-	243	243	243	335	335
Totals, Executive/Constitutional Offices	350,654	39,084	389,738	-	8,521	353,571	42,801	396,372	56,322	423,897
TOTALS, LEGISLATIVE, JUDICIAL, AND EXECUTIVE	647,419	40,286	687,705	-	12,868	676,940	48,009	724,949	53,858	787,381
STATE AND CONSUMER SERVICES										
Secretary for State and Consumer Service	721	-	721	-	-	770	-	770	-	799
Museum of Science and Industry	8,211	-	8,211	-	-	8,662	-	8,662	-	8,794
Department of Consumer Affairs										
Board of Accountancy	-	3,654	3,654	-	-	-	4,503	4,503	5,555	5,555
Board of Architectural Examiners	-	2,776	2,776	-	-	-	3,422	3,422	3,152	3,152
Athletic Commission	676	150	826	-	-	-	170	914	173	947
Bureau of Automotive Repair	-	36,099	36,099	-	-	744	44,883	44,883	49,683	49,683
Board of Barber Examiners	-	802	802	-	-	-	844	844	899	899
Board of Behavioral Science Examiners	-	1,353	1,353	-	-	-	1,898	1,898	2,148	2,148
Cemetery Board	-	279	279	-	-	-	320	320	318	318
TOTALS, STATE AND CONSUMER SERVICES	8,211	-	721	-	-	770	-	770	-	799
TOTALS, LEGISLATIVE, JUDICIAL, AND EXECUTIVE	647,419	40,286	687,705	-	12,868	676,940	48,009	724,949	53,858	787,381
TOTALS, LEGISLATIVE, JUDICIAL, AND EXECUTIVE	647,419	40,286	687,705	-	12,868	676,940	48,009	724,949	53,858	787,381
TOTALS, LEGISLATIVE, JUDICIAL, AND EXECUTIVE	647,419	40,286	687,705	-	12,868	676,940	48,009	724,949	53,858	787,381
TOTALS, LEGISLATIVE, JUDICIAL, AND EXECUTIVE	647,419	40,286	687,705	-	12,868	676,940	48,009	724,949	53,858	787,381
TOTALS, LEGISLATIVE, JUDICIAL, AND EXECUTIVE	647,419	40,286	687,705	-	12,868	676,940	48,009	724,949	53,858	787,381
TOTALS, LEGISLATIVE, JUDICIAL, AND EXECUTIVE	647,419	40,286	687,705	-	12,868	676,940	48,009	724,949	53,858	787,381
TOTALS, LEGISLATIVE, JUDICIAL, AND EXECUTIVE	647,419	40,286	687,705	-	12,868	676,940	48,009	724,949	53,858	787,381
TOTALS, LEGISLATIVE, JUDICIAL, AND EXECUTIVE	647,419	40,286	687,705	-	12,868	676,940	48,009	724,949	53,858	787,381
TOTALS, LEGISLATIVE, JUDICIAL, AND EXECUTIVE	647,419	40,286	687,705	-	12,868	676,940	48,009	724,949	53,858	787,381
TOTALS, LEGISLATIVE, JUDICIAL, AND EXECUTIVE	647,419	40,286	687,705	-	12,868	676,940	48,009	724,949	53,858	787,381
TOTALS, LEGISLATIVE, JUDICIAL, AND EXECUTIVE	647,419	40,286	687,705	-	12,868	676,940	48,009	724,949	53,858	787,381
TOTALS, LEGISLATIVE, JUDICIAL, AND EXECUTIVE	647,419	40,286	687,705	-	12,868	676,940	48,009	724,949	53,858	787,381
TOTALS, LEGISLATIVE, JUDICIAL, AND EXECUTIVE	647,419	40,286	687,705	-	12,868	676,940	48,009	724,949	53,858	787,381
TOTALS, LEGISLATIVE, JUDICIAL, AND EXECUTIVE	647,419	40,286	687,705	-	12,868	676,940	48,009	724,949	53,858	787,381
TOTALS, LEGISLATIVE, JUDICIAL, AND EXECUTIVE	647,419	40,286	687,705	-	12,868	676,940	48,009	724,949	53,858	787,381
TOTALS, LEGISLATIVE, JUDICIAL, AND EXECUTIVE	647,419	40,286	687,705	-	12,868	676,940	48,009	724,949	53,858	787,381
TOTALS, LEGISLATIVE, JUDICIAL, AND EXECUTIVE	647,419	40,286	687,705	-	12,868	676,940	48,009	724,949	53,858	787,381
TOTALS, LEGISLATIVE, JUDICIAL, AND EXECUTIVE	647,419	40,286	687,705	-	12,868	676,940	48,009	724,949	53,858	787,381
TOTALS, LEGISLATIVE, JUDICIAL, AND EXECUTIVE	647,419	40,286	687,705	-	12,868	676,940	48,009	724,949	53,858	787,381
TOTALS, LEGISLATIVE, JUDICIAL, AND EXECUTIVE	647,419	40,286	687,705	-	12,868	676,940	48,009	724,949	53,858	787,381
TOTALS, LEGISLATIVE, JUDICIAL, AND EXECUTIVE	647,419	40,286	687,705	-	12,868	676,940	48,009	724,949	53,858	787,381
TOTALS, LEGISLATIVE, JUDICIAL, AND EXECUTIVE	647,419	40,286	687,705	-	12,868	676,940	48,009	724,949	53,858	787,381
TOTALS, LEGISLATIVE, JUDICIAL, AND EXECUTIVE	647,419	40,286	687,705	-	12,868	676,940	48,009	724,949	53,858	787,381
TOTALS, LEGISLATIVE, JUDICIAL, AND EXECUTIVE	647,419	40,286	687,705	-	12,868	676,940	48,009	724,949	53,858	787,381
TOTALS, LEGISLATIVE, JUDICIAL, AND EXECUTIVE	647,419	40,286	687,705	-	12,868	676,940	48,009	724,949	53,858	787,381
TOTALS, LEGISLATIVE, JUDICIAL, AND EXECUTIVE	647,419	40,286	687,705	-	12,868	676,940	48,009	724,949	53,858	787,381
TOTALS, LEGISLATIVE, JUDICIAL, AND EXECUTIVE	647,419	40,286	687,705	-	12,868	676,940	48,009	724,949	53,858	787,381
TOTALS, LEGISLATIVE, JUDICIAL, AND EXECUTIVE	647,419	40,286	687,705	-	12,868	676,940	48,009	724,949	53,858	787,381
TOTALS, LEGISLATIVE, JUDICIAL, AND EXECUTIVE	647,419	40,286	687,705	-	12,868	676,940	48,009	724,949	53,858	787,381
TOTALS, LEGISLATIVE, JUDICIAL, AND EXECUTIVE	647,419	40,286	687,705	-	12,868	676,940	48,009	724,949	53,858	787,381
TOTALS, LEGISLATIVE, JUDICIAL, AND EXECUTIVE	647,419	40,286	687,705	-	12,868	676,940	48,009	724,949	53,858	787,381
TOTALS, LEGISLATIVE, JUDICIAL, AND EXECUTIVE	647,419	40,286	687,705	-	12,868	676,940	48,009	724,949	53,858	787,381
TOTALS, LEGISLATIVE, JUDICIAL, AND EXECUTIVE	647,419	40,286	687,705	-	12,868	676,940	48,009	724,949	53,858	787,381
TOTALS, LEGISLATIVE, JUDICIAL, AND EXECUTIVE	647,419	40,286	687,705	-	12,868	676,940	48,009	724,949	53,858	787,381
TOTALS, LEGISLATIVE, JUDICIAL, AND EXECUTIVE	647,419	40,286	687,705	-	12,868	676,940	48,009	724,949	53,858	787,381
TOTALS, LEGISLATIVE, JUDICIAL, AND EXECUTIVE	647,419	40,286	687,705	-	12,868	676,940	48,009	724,949	53,858	787,381
TOTALS, LEGISLATIVE, JUDICIAL, AND EXECUTIVE	647,419	40,286	687,705	-	12,868	676,940	48,009	724,949	53,858	787,381
TOTALS, LEGISLATIVE, JUDICIAL, AND EXECUTIVE	647,419	40,286	687,705	-	12,868	676,940	48,009	724,949	53,858	787,381
TOTALS, LEGISLATIVE, JUDICIAL, AND EXECUTIVE	647,419	40,286	687,705	-	12,868	676,940	48,009	724,949	53,858	787,381
TOTALS, LEGISLATIVE, JUDICIAL, AND EXECUTIVE	647,419	40,286	687,705	-	12,868	676,940	48,009	724,949	53,858	787,381
TOTALS, LEGISLATIVE, JUDICIAL, AND EXECUTIVE	647,419	40,286	687,705	-	12,868	676,94				

Schedule 9

COMPARATIVE STATEMENT OF EXPENDITURES BY CHARACTER, FUNCTION, ORGANIZATION UNIT AND FUND
FISCAL YEARS 1987-88, 1988-89, AND 1989-90—Continued
 (Figures in thousands)

	Actual 1987-88			Estimated 1988-89			Estimated 1989-90		
	General Fund	Special funds	Budget Total	General Fund	Special funds	Budget Total	General Fund	Special funds	Budget Total
Total Bureau of Collection & Invest Serv ..	-	3,317	3,317	-	4,101	4,101	-	4,410	4,410
Contractors State License Board	-	24,670	24,670	-	29,638	29,638	-	27,022	27,022
Board of Cosmetology	-	3,082	3,082	-	3,405	3,405	-	3,642	3,642
Board of Dental Examiners	-	3,077	3,077	-	3,596	3,596	-	3,602	3,602
Bureau of Electronic & Appliance Repair ..	-	1,104	1,104	-	1,173	1,173	-	1,272	1,272
Bureau of Personnel Services	-	531	531	-	464	464	-	405	405
Board of Funeral Directors and Embalmers ..	-	402	402	-	537	537	-	535	535
Bd of Reg for Geologists & Geophysicists ..	-	228	228	-	258	258	-	260	260
Board of Guide Dogs for the Blind	-	27	27	-	41	41	-	74	74
Board of Home Furnishings	-	2,136	2,136	-	2,254	2,254	-	2,429	2,429
Board of Landscape Architects	-	404	404	-	451	451	-	455	455
Total Medical Quality Assurance	-	16,847	16,847	-	19,555	19,555	-	19,852	19,852
Board of Examiners of Nursing Home Ad- min.....	-	317	317	-	374	374	-	368	368
Board of Optometry	-	394	394	-	388	388	-	429	429
Board of Pharmacy	-	2,477	2,477	-	3,037	3,037	-	3,007	3,007
Polygraph Examiners Board	-	84	84	-	88	88	-	41	41
Bd of Reg for Prof Engineer & Lnd Survey ..	-	3,335	3,335	-	3,643	3,643	-	3,784	3,784
Board of Registered Nursing	-	5,522	5,522	-	6,575	6,575	-	7,616	7,616
Certified Shorthand Reporters Board	-	522	522	-	588	588	-	738	738
Structural Pest Control Board	-	2,124	2,124	-	2,101	2,101	-	2,234	2,234
Tax Preparers Program	-	310	310	-	847	847	-	809	809
Total Veterinary Medicine	-	661	661	-	763	763	-	887	887
Bd of Voc Nurse & Psych Tech Examiners ..	-	2,728	2,728	-	3,534	3,534	-	3,695	3,695
Division of Consumer Services	1,360	-	1,360	-	1,435	1,435	-	1,400	1,400
Totals, Department of Consumer Affairs	2,063	119,385	121,448	-	143,410	145,620	-	149,420	151,688
Dept of Fair Employment and Housing	10,510	-	10,510	-	10,427	10,427	-	11,108	11,108
Fair Employment and Housing Commission ..	789	-	789	-	850	850	-	713	713
Office of the State Fire Marshal	3,990	2,550	6,540	-	4,455	7,225	-	4,603	7,354
Franchise Tax Board	151,169	20	151,189	-	159,973	165,247	-	175,454	180,805
Dept of General Services	9,103	54,073	63,176	-	22,039	64,072	-	20,356	64,677
State Personnel Board	21,120	-	21,120	-	20,858	20,858	-	11,528	11,528
Public Employees' Retirement System	59	-	59	-	58	58	-	55	55
Department of Veterans Affairs	2,544	-	2,544	-	2,522	2,522	-	2,563	2,563
General Activities	23,888	-	23,888	-	24,054	24,054	-	25,608	25,608
Veterans' Home of California	26,432	-	26,432	-	26,576	26,576	-	28,171	28,171
Totals, Department of Veterans Affairs.....	26,432	471	26,903	-	641	26,576	-	245	28,171
Vietnam Veterans Memorial Commission	-	-	-	-	-	-	-	-	-
TOTALS, STATE AND CONSUMER SERVICES	234,167	176,499	410,666	13,329	194,128	451,016	263,829	202,088	465,917
BUSINESS, TRANSPORTATION, AND HOUSING	49,993	76,027	126,020	1,714	83,286	133,442	52,537	87,521	140,058
Business	1,036	579	1,615	-	628	1,261	417	664	1,081
Sec for Business,Transport and Housing	18,630	-	18,630	-	21,118	21,118	-	21,970	21,970
Dept of Alcoholic Beverage Control	-	287	287	-	451	451	-	483	483
Alcoholic Beverage Control Appeals Bd	-	11,188	11,188	-	11,645	11,645	-	12,282	12,282
State Banking Department	8,925	-	8,925	-	9,250	9,250	-	9,685	9,685
Dept of Corporations	15,195	61	15,256	-	13,013	13,013	-	13,943	13,943
Department of Commerce	6,207	3,640	9,847	-	6,147	10,340	-	6,522	11,153
Dept of Housing & Community Development ..	-	29,702	29,702	-	1,578	33,487	-	35,367	35,367
Dept of Insurance	-	21,805	21,805	-	23,272	23,272	-	24,573	24,573
Dept of Real Estate	-	8,765	8,765	-	9,142	9,142	-	9,488	9,488
Dept of Savings and Loan	-	-	-	-	-	-	-	-	-
Totals, Business	49,993	76,027	126,020	1,714	83,286	133,442	52,537	87,521	140,058
Transportation	-	1,167	1,167	-	1,383	1,383	-	1,520	1,520
California Transportation Commission	-	964,636	964,636	-	1,070,928	1,070,928	-	1,157,843	1,157,843
Dept of Transportation	-	243	243	-	290	290	-	302	302
Office of Traffic Safety	-	481,217	481,217	-	486,473	486,473	-	536,089	536,089
Dept of the California Highway Patrol	-	-	-	-	-	-	-	-	-

**COMPARATIVE STATEMENT OF EXPENDITURES BY CHARACTER, FUNCTION, ORGANIZATION UNIT AND FUND
FISCAL YEARS 1987-88, 1988-89, AND 1989-90—Continued**

(Figures in thousands)

	Actual 1987-88			Estimated 1988-89			Estimated 1989-90			
	General Fund	Special funds	Budget Total	Selected Bond funds	Federal Fund	General Fund	Special funds	Budget Total	Selected Bond funds	Federal Funds
Department of Motor Vehicles	53	341,559	341,559	-	289	64	373,255	373,319	-	468
Stephen P. Teale Data Center	-1,179	-	-1,179	-	-	-	-	-	-	-
Totals, Transportation	-1,126	1,788,769	1,787,643	-	190,790	64	1,932,329	1,932,393	-	210,777
Statewide Distributed Costs	-355	-	-355	-	-	744	-	744	-	-
General Obligation Bonds	-355	-	-355	-	-	744	-	744	-	-
Totals, Statewide Distributed Costs	-355	-	-355	-	-	-	-	-	-	-
TOTALS, BUSINESS, TRANSPORTATION, AND HOUSING	48,512	1,864,796	1,913,308	-	192,504	50,964	2,015,615	2,066,579	561	212,375
RESOURCES										
Secretary for Resources	1,145	90	1,235	-	-	1,280	75	1,355	-	-
Special Resources Program	520	-	520	-	-	525	-	525	-	1,413
California Tahoe Conservancy	693	-	693	314	85	774	-	774	657	45
St Assist Fd Energy Ca Bus Industry Dev	-2,576	-	-2,576	-	-	-	2,936	2,936	-	-
Energy Resources Conservation	5,171	40,890	46,061	-	-	40,856	5,780	46,636	-	189
California Resources Conservation & Dev Com	44,543	44,543	89,086	-	26,442	-	55,020	55,020	-	46,549
Renewable Resources Investment Program	1,990	1,990	3,980	-	-	-	2,000	2,000	-	-
California Waste Management Board	4,133	1,955	6,088	1,000	1,000	4,400	963	5,363	-	4,612
Air Resources Board	5,864	50,227	56,091	2,315	2,315	2,813	50,244	53,057	-	2,864
Colorado River Board of California	201	8	209	-	-	257	11	268	-	270
Department of Conservation	14,126	87,684	101,810	478	478	14,803	128,359	143,162	-	599
Department of Forestry and Fire Protect	219,561	3,950	223,511	35,802	35,802	252,570	3,912	256,482	-	6,175
State Lands Commission	13,848	-	13,848	147	147	13,691	250	13,941	-	100
Seismic Safety Commission	789	21	810	24	24	946	79	1,025	-	953
Dept of Fish and Game	8,933	74,187	83,120	12,863	12,863	8,780	85,375	94,155	-	15,810
Wildlife Conservation Board	858	-	858	-	-	836	836	836	161	-
Dept of Boating & Waterways	257	257	514	137	137	253	263	516	-	250
California Coastal Commission	5,895	392	6,287	1,446	-	6,203	401	6,604	-	2,167
State Coastal Conservancy	-	-	-	-	-	-	-	-	-	-
Dept of Parks and Recreation	77,888	51,439	129,327	2,206	1,249	79,645	58,220	137,865	2,756	1,853
Santa Monica Mountains Conservancy	247	-	247	-	-	199	-	199	6,489	-
Santa Francisco Bay Conserv & Develop Com	-	-	-	-	-	-	-	-	-	-
Department of Water Resources	1,404	8,877	10,281	2,766	752	1,554	-	1,554	-	1,622
State Water Resources Control Board	35,074	2,594	37,668	6,730	14,308	28,835	6,309	35,144	2,080	33,650
Payment of Interest on Frnia Loans	11,022	-	11,022	-	-	37,595	4,765	42,360	7,298	2,206
General Obligation Bonds	205,585	-	205,585	-	-	15,850	-	15,850	-	4,854
TOTALS, RESOURCES	671,710	323,776	995,486	12,016	97,048	707,918	405,535	1,113,453	19,441	101,359
HEALTH AND WELFARE										
Secretary for Health and Welfare	3,332	-	3,332	-	-	1,850	-	1,850	-	1,814
State Council Developmental Disabilities	-	-	-	-	4,580	-	-	-	-	-
Area Bds on Developmental Disabilities	-	-	-	-	-	-	-	-	-	-
Emergency Medical Services Authority	900	-	900	-	175	939	-	939	-	1,014
Health and Welfare Agency Data Center	-2,943	-	-2,943	-	-	-	-	-	-	-
Office Statewide Health Planning-Develop	1,451	19,836	21,287	-	-	1,806	23,257	25,063	-	26,443
Department of Aging	4,689	4,689	9,378	2,610	2,610	4,677	4,677	4,677	-	4,889
Commission on Aging	236	236	472	208	208	240	240	240	248	232
Dept of Alcohol and Drug Programs	6,787	666	7,453	5,081	5,081	6,850	1,004	7,854	1,188	8,549
Child Development Pgms Advisory Committ	217	-	217	-	-	237	-	237	-	245
Dept of Health Services	137,411	74,591	212,002	262,852	262,852	160,817	92,940	253,757	364,922	323,260
California Medical Assistance Commissio	720	-	720	-	-	926	-	926	-	959
Dept of Developmental Services	21,901	193	21,994	389	389	19,908	193	20,101	-	86,748
Dept of Mental Health	341,940	714	342,654	765	765	353,457	353,457	353,457	-	376,038
Employment Development Dept	29,389	26,075	55,464	381,465	381,465	29,411	31,557	60,968	-	9,450
Dept of Rehabilitation	20,504	-	20,504	109,056	109,056	20,728	20,728	20,728	-	30,727
Dept of Social Services	77,770	-470	77,300	133,505	133,505	81,441	165	81,606	-	21,292
General Obligation Bonds	5,867	-	5,867	-	-	5,694	-	5,694	-	748
TOTALS, HEALTH AND WELFARE	650,071	121,605	771,676	900,706	900,706	668,891	149,116	838,007	-	5,351
										1,019,302

TOTALS: HEALTH AND WELFARE.

Schedule 9

COMPARATIVE STATEMENT OF EXPENDITURES BY CHARACTER, FUNCTION, ORGANIZATION UNIT AND FUND FISCAL YEARS 1987-88, 1988-89, AND 1989-90—Continued

(Figures in thousands)

	Actual 1987-88			Estimated 1988-89			Estimated 1989-90		
	General Fund	Special funds	Budget Total	General Fund	Special funds	Budget Total	General Fund	Special funds	Budget Total
YOUTH AND ADULT CORRECTIONAL AGENCY									
Sec for Youth and Adult Corrections	968	-	968	-	937	-	929	-	929
Dept of Corrections	1,340,461	13,146	1,353,607	-	1,553,996	213	1,752,187	13,947	1,766,134
Board of Corrections	483	1,599	2,082	504	2,279	-	528	1,842	2,370
Board of Prison Terms	9,413	-	9,413	10,430	10,430	-	12,280	-	12,280
Youthful Offender Parole Board	2,790	-	2,790	3,006	3,006	-	3,135	-	3,135
Dept of Youth Authority	263,990	-	263,990	273,309	273,309	796	296,747	167	296,914
Robert B Presley Institute	84	-	84	475	475	-	416	-	416
Payment of Interest on Pmia Loans	30,160	-	30,160	4,150	-	-	-	-	-
General Obligation Bonds	129,966	-	129,966	153,718	-	-	196,188	-	196,188
TOTALS, YOUTH AND ADULT CORRECTIONAL AGENCY	1,778,315	14,745	1,793,060	2,000,435	1,775	2,002,210	2,262,410	15,956	2,278,366
EDUCATION									
K thru 12 Education									
Department of Education	93,306	3,009	96,315	-	3,511	-	87,496	3,871	91,367
Dept of Education—Headquarters	-	-	-	113	11,289	49	11,212	-	11,212
State Library	-	-	-	411	411	-	580	-	580
Calif State Summer School for the Arts	-	-	-	213	96	-	99	-	99
Calif State Council on Vocational Educ	77	-	77	208	-	-	150	-	150
Calif Occupational Info Coord Committee	-	-	-	-	-	-	-	-	-
Commission on Teacher Credentialing	-	8,070	8,070	1,100	9,526	-	1,100	10,403	11,503
Payment of Interest on Pmia Loans	14,904	-	14,904	13,800	-	-	127,920	-	127,920
General Obligation Bonds	93,797	-	93,797	90,144	-	-	228,407	14,274	242,681
TOTALS, K thru 12 Education	202,084	11,079	213,163	199,398	13,037	212,435	228,407	14,274	242,681
Higher Education — Community Colleges									
Bd of Governors of Calif Comm Colleges	9,778	872	10,650	13,016	707	-	14,395	764	15,159
Payment of Interest on Pmia Loans	4,796	-	4,796	1,021	-	-	-	-	-
General Obligation Bonds	15,044	-	15,044	15,990	-	-	20,585	-	20,585
TOTALS, Higher Education — Community Colleges	29,618	872	30,490	30,027	707	30,734	34,980	764	35,744
Higher Education — Uc, CSU and Other									
Cal Postsecondary Education Commission	3,097	-	3,097	3,484	-	-	3,384	-	3,384
Comm for Review of Master Plan for High	155	-	155	-	-	-	-	-	-
University of California	1,888,872	3,239	1,892,111	1,974,622	1,056	3,000	2,053,466	44,952	2,098,418
Hastings College of Law	11,772	-	11,772	2,705,337	522	588	13,111	-	13,111
California State University	1,714,998	-	1,714,476	1,824,357	1,824,579	10,600	1,981,365	-	1,981,365
California Maritime Academy	6,057	-	6,057	545	6,547	-	6,529	-	6,529
Student Aid Commission	6,278	-	6,278	66,986	6,960	-	6,827	-	6,827
Payment of Interest on Pmia Loans	17,612	-	17,612	9,179	-	-	36,258	-	36,258
General Obligation Bonds	21,401	-	21,401	26,985	-	-	-	-	-
TOTALS, Higher Education — Uc, CSU and Other	3,670,242	2,717	3,672,959	3,864,410	1,578	14,188	4,101,040	44,952	4,145,992
TOTALS, EDUCATION	3,901,944	14,668	3,916,612	4,093,835	15,322	4,109,157	4,364,427	59,990	4,424,417
GENERAL GOVERNMENT									
General Administration									
Office of Criminal Justice Planning	4,210	1,294	5,504	4,901	1,696	-	4,914	1,908	6,822
Comm on Peace Officer Standards & Train	-	8,056	8,056	-	9,190	-	7,277	9,327	9,327
State Public Defender	6,230	-	6,230	6,972	-	-	1	-	1
Admin & Payment of Tort Liability Claim	233	-	233	918	7	-	586	-	586
Commission for Economic Development	555	-	555	566	-	-	-	-	-
Ca Bicentennial Comm on U.S. Constit.	4	-	4	-	-	-	-	-	-
California Arts Council	2,634	-	2,634	3,608	-	-	2,759	-	2,759
Native American Heritage Commission	261	-	261	306	-	-	309	-	309
Agricultural Labor Relations Board	6,515	-	6,515	6,260	-	-	6,545	-	6,545
Public Employment Relations Board	5,827	-	5,827	5,967	-	-	6,198	-	6,198
TOTALS, GENERAL GOVERNMENT	12,599	15,271	27,870	27,870	15,322	15,322	27,870	15,322	27,870

**COMPARATIVE STATEMENT OF EXPENDITURES BY CHARACTER, FUNCTION, ORGANIZATION UNIT AND FUND
FISCAL YEARS 1987-88, 1988-89, AND 1989-90—Continued**

	Actual 1987-88			Estimated 1988-89			Estimated 1989-90				
	General Fund	Special funds	Budget Total	General Fund	Special funds	Budget Total	General Fund	Special funds	Budget Total	Selected Bond funds	Federal Funds
Salaries of Trial Court Judges	55,704	-	55,704	-	79,596	-	65,127	-	65,127	-	-
St Block Grant for Sup Court Judgeships	13,500	-	13,500	-	6,750	-	-	-	-	-	-
State Block Grant for Trial Court Fund	-	-	-	182,262	-	182,262	432,706	-	432,706	-	-
Totals, Judicial.....	93,015	-	93,015	-	294,684	-	527,826	-	527,826	-	-
Executive/Governor	-	-	-	-	-	-	-	-	-	-	-
Office of Planning and Research	-	2,134	2,134	6,122	1,516	-	-	53	53	-	3,174
Office of Emergency Services	20,999	-17,216	3,783	24,213	13,316	-	-	19,117	19,117	-	38,013
Totals, Executive/Governor	20,999	-15,082	5,917	30,335	14,832	-	-	19,170	19,170	-	41,187
Executive/Constitutional Offices	-	-	-	-	-	-	-	-	-	-	-
Department of Justice	75	-	75	-	310	500	310	-	310	-	-
Calif Pollution Control Financing Auth	-	-	-	-	-	-	-	-	-	-	-
Totals, Executive/Constitutional Offices	75	-	75	-	310	500	310	-	310	-	-
Statewide Distributed Costs	-	-	-	-	-	-	-	-	-	-	-
State Mandated Local Costs	25,575	-	25,575	-	37,753	112	21,359	-	21,359	-	-
Totals, Statewide Distributed Costs	25,575	-	25,575	-	37,753	112	21,359	-	21,359	-	-
TOTALS, LEGISLATIVE, JUDICIAL, AND EX-ECUTIVE	139,664	-15,082	124,582	30,335	335,365	15,444	549,495	19,170	568,665	-	41,187
STATE AND CONSUMER SERVICES	-	-	-	-	-	-	-	-	-	-	-
Dept of General Services	-	44,252	44,252	-	57,085	57,085	-	57,085	57,085	-	-
Department of Veterans Affairs	1,000	-	1,000	-	1,250	1,250	-	-	-	-	-
General Activities	1,000	-	1,000	-	1,250	1,250	-	-	-	-	-
Totals, Department of Veterans Affairs...	79	-41	38	-	97	97	-	-	-	-	-
State Mandated Local Costs	-	-	-	-	-	-	-	-	-	-	-
TOTALS, STATE AND CONSUMER SERVICES	1,079	44,211	45,290	-	1,347	58,432	7,462	57,085	64,547	-	-
BUSINESS, TRANSPORTATION, AND HOUSING	-	-	-	-	-	-	-	-	-	-	-
Business	-	-	-	-	-	-	-	-	-	-	-
Department of Commerce	-	5,814	5,814	267	23,280	23,280	6,580	10,300	16,880	-	-
Unitary Fund Programs	-	-	-	-	-	-	-	2,000	2,000	-	-
Dept of Housing & Community Development	23,280	-	23,280	47,864	10,159	10,159	4,400	-	4,400	150,000	72,797
Totals, Business.....	23,280	5,814	29,094	48,131	10,159	33,439	10,980	12,300	23,280	150,000	72,797
Transportation	-	-	-	-	-	-	-	-	-	-	-
Special Transportation Programs	-	2,000	2,000	-	2,000	2,000	-	2,000	2,000	-	-
Dept of Transportation	-	-	-	-	-	-	-	-	-	-	-
Transportation Planning Program	-	3,892	3,892	7,913	3,893	3,893	-	4,032	4,032	-	8,900
Mass Transportation Program	-	21,275	21,275	43,690	78,145	78,145	-	108,645	108,645	-	14,584
Aeronautics Program	540	2,444	2,984	540	2,310	2,850	-	2,310	2,310	-	29,756
Highway Transportation Program	-	32,522	32,522	220,764	38,538	38,538	-	33,695	33,695	-	262,300
Totals, Dept of Transportation	540	60,133	60,673	272,367	122,886	123,426	-	148,682	148,682	-	315,540
Office of Traffic Safety	-	-	-	6,682	-	-	-	-	-	-	7,363
Totals, Transportation	540	62,133	62,673	279,049	124,886	125,426	-	150,682	150,682	-	322,903
Statewide Distributed Costs	-	-	-	-	-	-	-	-	-	-	-
State Mandated Local Costs	1,020	-	1,020	272	272	272	3,700	-	3,700	-	-
Totals, Statewide Distributed Costs	1,020	-	1,020	272	272	272	3,700	-	3,700	-	-
TOTALS, BUSINESS, TRANSPORTATION, AND HOUSING	24,840	67,947	92,787	327,180	148,166	159,137	14,680	162,982	177,662	150,000	395,700
RESOURCES	-	-	-	-	-	-	-	-	-	-	-
Special Resources Program	702	546	1,248	-	410	1,187	777	589	1,366	-	-
California Tahoe Conservancy	-	1,500	1,500	500	1,319	1,319	-	1,000	1,000	-	-
Energy Resources Conservation & Dev Com	-	2,282	2,282	-	4,731	4,731	-	2,008	2,008	-	-
Air Resources Board	-	7,511	7,511	6,009	7,511	7,511	-	7,511	7,511	-	-
Department of Conservation	-	-	-	-	349	349	-	34	34	-	-
Department of Forestry and Fire Protect ...	-	50	50	-	-	-	-	-	-	633	-

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(Figures in thousands)

	Actual 1987-88			Estimated 1988-89			Estimated 1989-90				
	General Fund	Special funds	Budget Total	General Fund	Special funds	Budget Total	General Fund	Special funds	Budget Total	Selected Bond funds	Federal Funds
Dept of Boating & Waterways	-	3,000	3,000	-	2,000	2,000	-	1,482	3,592	-	4,250
California Coastal Commission	-	-	-	-	-	-	-	391	-	-	391
State Coastal Conservancy	-	150	150	-	-	-	-	-	-	-	-
Dept of Parks and Recreation	-	25,841	25,841	-	18,434	18,434	-	3,145	17,338	40,397	2,215
Department of Water Resources	1,821	11,722	13,543	-	17,816	17,816	-	97,665	23,453	143,308	-
State Water Resources Control Board	-	-	43,671	-	-	94,000	-	174,912	-	95,000	174,337
State Mandated Local Costs	2,622	320	2,942	633	365	998	-	-	700	-	-
TOTALS, RESOURCES	5,145	52,922	58,067	1,410	52,935	54,345	239,085	195,636	57,002	279,338	181,193
HEALTH AND WELFARE											
Emergency Medical Services Authority	1,716	-	1,716	2,857	-	2,857	-	1,512	2,857	-	1,493
Office Statewide Health Planning-Develop	2,674	-	2,674	3,339	-	3,339	-	700	700	-	-
Department of Aging	32,110	-	32,110	33,025	-	33,025	-	79,259	32,327	-	79,637
Dept of Alcohol and Drug Programs	-	-	-	-	-	-	-	-	-	-	-
Alcohol Program	37,274	-	37,274	37,274	-	37,274	-	22,518	39,747	-	19,083
Drug Program	34,428	-	34,428	35,814	-	35,814	-	38,659	38,294	-	31,663
Unalloc Emerg Subst Abuse Trtment/Rehab	-	-	-	-	-	-	-	-	2,473	-	22,547
Totals, Dept of Alcohol and Drug Programs	71,702	-	71,702	73,088	-	73,088	-	61,177	78,041	-	73,293
Dept of Health Services	-	-	-	-	-	-	-	-	4,946	-	-
Medical Assistance Program	2,777,591	-	2,777,591	3,097,496	-	3,097,496	-	3,219,983	3,253,683	-	3,513,717
Public Health Service	1,079,887	-	1,079,887	1,111,251	-	1,111,251	-	192,026	731,136	-	316,473
California Children Services	61,373	-	61,373	64,647	-	64,647	-	6,259	67,593	-	7,188
Cost of Living: Medi-Cal	4,934	-	4,934	52,493	-	52,493	-	52,231	373	-	-
Cost of Living: Public Health-Other	-	-	-	21,829	-	21,829	-	-	-	-	-
Totals, Dept of Health Services	3,923,785	-	3,923,785	4,347,716	-	4,347,736	-	3,470,499	514,132	-	3,837,378
Dept of Developmental Services	450,416	3,619	454,035	474,591	5,175	479,766	-	856	463,916	-	467,331
Dept of Mental Health	552,736	-	552,736	582,535	-	582,535	-	22,255	616,613	-	22,207
Employment Development Dept	-	-	-	1,941,561	-	1,941,561	-	2,246,206	30,239	-	2,259,382
Dept of Rehabilitation	68,502	-	68,502	77,570	-	77,570	-	-	75,210	-	-
Dept of Social Services	-	-	-	-	-	-	-	-	-	-	-
SSI/SSP Grants	1,835,661	-	1,835,661	1,990,040	-	1,990,040	-	12,808	2,055,484	-	15,173
Payments for Children	2,148,296	-	2,148,296	2,337,681	-	2,337,681	-	2,276,964	2,506,060	-	2,377,618
Special Adult Programs	2,828	-	2,828	3,234	-	3,234	-	75	3,614	-	75
Social Service Programs	488,097	-	488,097	791,240	-	791,240	-	502,470	803,139	-	503,797
Refugee Programs	-	-	-	45,408	-	45,408	-	21,644	-	-	21,533
Community Care Licensing	8,307	-	8,307	9,429	-	9,429	-	5,375	10,044	-	5,546
County Administration	141,491	-	141,491	167,099	-	167,099	-	486,913	179,592	-	504,244
Special Adjustment: Cost-Of-Living	-	-	-	-	-	-	-	-	-	-	27,323
Totals, Dept of Social Services	4,624,680	-	4,624,680	5,298,723	-	5,298,723	-	3,306,249	5,557,933	-	3,455,308
State Mandated Local Costs	936	-	936	2,549	-	2,549	-	-	4,873	-	-
TOTALS, HEALTH AND WELFARE	9,729,257	3,619	9,732,876	10,895,593	205,195	11,101,188	-	9,190,015	11,402,429	-	9,728,698
YOUTH AND ADULT CORRECTIONAL AGENCY											
Dept of Corrections	26,689	-	26,689	27,140	-	27,140	-	-	31,210	-	-
Board of Corrections	-	11,012	11,012	-	12,774	12,774	186,143	-	12,774	221,110	-
Dept of Youth Authority	-	-	-	-	-	-	-	-	-	-	-
Transportation of Wards	43	-	43	95	-	95	-	-	95	-	-
Delinquency Prevention	2,307	-	2,307	2,307	-	2,307	-	-	2,307	-	-
Asst to Counties for Detention of Youths	4,283	-	4,283	4,505	-	4,505	-	-	4,505	-	-
County Justice Subvention Program	67,287	-	67,287	67,298	-	67,298	-	-	30,398	-	-
Regional Youth Education Centers	500	-	500	500	-	500	-	-	500	-	-
County Correction Facil (Juvenile Facil)	-	-	-	-	-	-	5,000	-	-	10,000	-
Totals, Dept of Youth Authority	74,420	-	74,420	74,705	-	74,705	5,000	-	37,805	10,000	-
State Mandated Local Costs	16	-	16	16	-	16	-	-	66	-	-
TOTALS, YOUTH AND ADULT CORRECTIONAL AGENCY	101,125	11,012	112,137	107,861	12,774	114,635	191,143	-	43,172	81,855	231,110

COMPARATIVE STATEMENT OF EXPENDITURES BY CHARACTER, FUNCTION, ORGANIZATION UNIT AND FUND
FISCAL YEARS 1987-88, 1988-89, AND 1989-90—Continued
 (Figures in thousands)

	Actual 1987-88			Estimated 1988-89			Estimated 1989-90		
	General Fund	Special funds	Budget Total	General Fund	Special funds	Budget Total	General Fund	Special funds	Budget Total
EDUCATION									
K thru 12 Education									
Department of Education									
Adult Education	241,610	-	241,610	271,814	-	271,814	275,551	-	275,551
American Indian Education Centers	861	-	861	861	-	861	861	-	861
Appointments-County Offices	107,657	-	107,657	116,548	-	116,548	115,722	-	115,722
Appointments-District	8,373,720	12,070	8,385,790	8,952,052	12,635	8,964,687	9,040,373	19,890	9,060,263
Appointments-ROC/P	212,089	-	212,089	220,466	-	220,466	220,562	-	220,562
Child Development	316,122	185	316,307	1,786	-	1,786	330,340	-	330,340
Child Nutrition	41,039	-	41,039	42,077	-	42,077	42,077	-	42,077
Cost-Of-Living Adjustment	-	-	-	455,849	-	455,849	532,026	-	532,026
Curriculum Services	14,140	250	14,390	14,918	-	14,918	315	-	315
Demo Programs In Reading and Mathematics	4,367	-	4,367	4,367	-	4,367	4,367	-	4,367
Desegregation-Court Ordered	317,975	-	317,975	399,933	-	399,933	390,058	-	390,058
Desegregation-Voluntary	44,136	-	44,136	50,343	-	50,343	57,131	-	57,131
Driver Training	-	20,706	20,706	-	21,236	21,236	-	21,236	-
Ecia Chapter 1 (Compensatory Education)	-	-	-	-	-	-	-	-	-
Ecia Chapter II-Block Grant	-	-	-	-	-	-	-	-	-
Economic Impact Aid Program (EIA)	196,952	-	196,952	196,952	-	196,952	196,952	-	196,952
Class Size Reduction Incentive Program	-	-	-	-	-	-	110,000	-	110,000
Environmental Education	-	601	601	-	604	604	515	-	515
Gifted and Talented Education Programs	-	-	-	-	-	-	23,433	-	23,433
Home to School Transportation	293,462	-	293,462	293,224	-	293,224	293,462	-	293,462
Instructional Materials (9-12)	22,418	-	22,418	24,004	-	24,004	23,735	-	23,735
Instructional Materials (K-8)	74,787	-	74,787	88,474	-	88,474	91,587	-	91,587
Library Services	32,204	-	32,204	33,904	-	33,904	34,584	-	34,584
Loan Repayments From School Districts	-2,664	-	-2,664	-3,904	-	-3,904	-3,904	-	-3,904
Assessments	-	-	-	-	-	-	1,000	-	1,000
Drug-Free Schools and Community Program	-	-	-	-	-	-	-	-	-
Earthquakes	5,388	-	5,388	8,203	-	8,203	-	-	-
Ecia Chapter 1 (Migrant)	-	-	-	-	-	-	-	-	-
Miller-Urruh Reading Program	-	-	-	19,869	-	19,869	19,869	-	19,869
Native American Indian Education	-	-	-	365	-	365	365	-	365
Refugees and Immigrant Programs	-	-	-	-	-	-	18,741	-	18,741
School Improvement Programs (SIP)	229,752	-	229,752	251,081	-	251,081	251,081	-	251,081
Special Education	1,087,351	-	1,087,351	1,197,034	-	1,197,034	1,208,507	-	1,208,507
Staff Development	56,124	-	56,124	61,479	-	61,479	74,783	-	74,783
Supplementary Program Services	16,184	-	16,184	16,184	-	16,184	12,285	-	12,285
Tenth Grade Counseling	7,603	-	7,603	7,223	-	7,223	7,187	-	7,187
Urban/Mende Impact Aid	86,635	-	86,635	-	-	-	-	-	-
Vocational Education	7,863	-	7,863	11,658	-	11,658	12,199	-	12,199
Year-Round School Incentives	-	29,389	29,389	300	30,045	30,345	30,300	-	30,300
Education Assistance	62,834	-	62,834	-	-	-	-	-	-
Proposition 98 Reserve/Expenditure	-	-	-	39,325	-	39,325	220,000	-	220,000
Totals, Department of Education	11,850,579	63,201	11,913,780	12,676,422	64,520	12,740,942	13,617,323	41,126	13,658,449
Contributions to Teachers' Retire Fund	506,097	-	506,097	546,602	-	546,602	449,215	-	449,215
School Facilities Aid Program	-1,808	-	-1,808	991,088	-	991,088	-1,808	-	-1,808
State Mandated Local Costs	75,406	-700	74,706	66,353	-	66,353	114,274	-	114,274
Totals, K thru 12 Education	12,430,274	753,354	13,183,628	13,287,569	1,055,608	14,343,177	14,179,004	630,165	14,809,169
Higher Education—Community Colleges									
Bd of Governors of Calif Comm Colleges									
Appointments for Community Colleges	1,166,560	1,791	1,168,351	1,255,840	2,449	1,258,289	1,341,358	2,120	1,343,478
Partial State Support-Academic Senate	150	-	150	150	-	150	150	-	150
Extended Opportunity Program	30,544	-	30,544	32,561	-	32,561	33,149	-	33,149
Disabled Students	27,804	-	27,804	28,414	-	28,414	31,034	-	31,034
Totals, Higher Education	1,325,058	1,791	1,326,849	1,390,115	2,449	1,392,564	1,376,741	2,120	1,378,862

Schedule 9

COMPARATIVE STATEMENT OF EXPENDITURES BY CHARACTER, FUNCTION, ORGANIZATION UNIT AND FUND
FISCAL YEARS 1987-88, 1988-89, AND 1989-90—Continued
 (Figures in thousands)

	Actual 1987-88				Estimated 1988-89				Estimated 1988-90			
	General Fund	Special funds	Budget Total	Selected Bond funds	Federal Fund	General Fund	Special funds	Budget Total	Selected Bond funds	Federal Fund	General Fund	Special funds
Instructional Improvements	536	-	536	-	-	736	-	736	-	-	736	-
Deferred Maintenance and Special Repairs	14,462	-	14,462	-	-	15,000	-	15,000	-	-	15,000	-
Vocational Education	1,050	-	1,050	-	-	1,270	-	1,270	-	-	1,270	-
Instruc Equip Replace & Lib Materials	20,862	-	20,862	35,000	-	11,862	23,138	11,862	23,138	-	23,000	-
Board Financial Aid Program	10,177	-	10,177	-	-	11,338	-	11,338	-	-	13,420	-
Foster Parent Training Programs	897	-	897	-	-	900	-	900	-	-	900	-
Transfer Centers and Articulation	1,516	-	1,516	-	-	2,588	-	2,588	-	-	3,481	-
Hazardous Substances	4,969	-	4,969	-	-	5,000	-	5,000	-	-	8,000	-
Matriculation	20,570	-	20,570	-	-	20,626	-	20,626	-	-	21,320	-
Faculty and Staff Diversity	-	-	-	-	-	1,000	-	1,000	-	-	1,000	-
Faculty and Staff Development	-	-	-	-	-	4,900	-	4,900	-	-	4,900	-
Management Information System	-	-	-	-	-	6,400	-	6,400	-	-	6,400	-
Proposition 98 Reserve Expenditures	-	-	-	-	-	-	-	-	-	-	10,000	-
Totals, Bd of Governors of Calif Comm Colleges	1,300,097	1,791	1,301,888	35,000	-	1,392,185	2,449	1,394,634	33,138	-	1,492,718	2,120
State Mandated Local Costs	-	-	-	-	-	1,400	-	1,400	-	-	13,673	-
Totals, Higher Education—Community Colleges	1,300,097	1,791	1,301,888	35,000	-	1,393,585	2,449	1,396,034	33,138	-	1,506,391	2,120
Higher Education—Uc, CSU and Other	-	-	-	-	2,016	127,165	-	127,165	-	3,251	126,251	-
Cal Postsecondary Education Commission	111,868	-	111,868	-	13,305	-	-	-	-	13,226	-	-
Student Aid Commission	-	-	-	-	-	-	-	-	-	-	-	-
Totals, Higher Education—Uc, CSU and Other	111,868	-	111,868	-	15,321	127,165	-	127,165	-	16,477	126,251	-
TOTALS, EDUCATION	13,842,239	755,145	14,597,384	35,000	1,240,491	14,808,319	1,058,057	15,866,376	33,138	1,437,691	15,811,646	632,285
GENERAL GOVERNMENT												
General Administration	23,822	13,128	36,950	-	21,484	26,378	13,128	39,506	-	28,293	42,774	14,428
Office of Criminal Justice Planning	-	30,515	30,515	-	-	30,515	30,515	30,515	-	-	32,000	32,000
Comm on Peace Officer Standards & Train	12,063	-	12,063	-	-	10,000	-	10,000	-	-	13,000	-
Pay to Counties for Defense of Indig	2,000	-	2,000	-	-	2,000	-	2,000	-	-	3,875	-
California Arts Council	10,987	-	10,987	-	837	11,000	-	11,000	-	631	8,930	-
Disaster Service Workers	540	-	540	-	-	663	-	663	-	-	663	-
Dept of Food and Agriculture	11,671	40,165	51,836	-	-	11,395	39,498	50,893	-	-	11,325	39,148
Commission on State Mandates	-1	-	-1	-	-	-	-	-	-	-	-	-
Department of Economic Opportunity	-	-	-	-	107,065	-	-	-	-	126,881	-	-
Totals, General Administration	61,092	83,808	144,899	-	129,386	61,436	83,141	144,577	-	155,805	80,567	85,576
Local Government Aid	-	-	-	-	-	-	-	-	-	-	-	-
Tax Relief	-	-	-	-	-	-	-	-	-	-	-	-
Senior Citizens Property Tax Assistance ..	4,691	-	4,691	-	-	4,040	-	4,040	-	-	4,300	-
Senior Citizens Property Tax Deferral	7,000	-	7,000	-	-	7,500	-	7,500	-	-	7,500	-
Senior Citizens Renters Tax Assistance	21,116	-	21,116	-	-	17,560	-	17,560	-	-	18,600	-
Homeowners' Property Tax Relief	344,221	-	344,221	-	-	350,713	-	350,713	-	-	357,727	-
Subventions for Open Space	14,047	-	14,047	-	-	14,600	-	14,600	-	-	14,600	-
Renters' Tax Relief	471,856	-	471,856	-	-	481,000	-	481,000	-	-	490,000	-
Substandard Housing	126	-	126	-	-	212	-	212	-	-	278	-
Energy Tax Credits	7	-	7	-	-	-	-	-	-	-	-	-
Totals, Tax Relief	863,064	21,440	884,504	-	-	875,625	-	875,625	-	2,165	893,105	-
Local Government Financing	148,007	-	148,007	-	-	73,940	-	73,940	-	-	58,000	-
Shared Revenues	-	-	-	-	-	-	-	-	-	-	-	-
Apportionment Hwy Prop Rental Receipts ..	-	3,111	3,111	-	-	4,000	4,000	4,000	-	-	4,000	4,000
Apportionment Off Highway License Fees ..	-	782	782	-	242	933	933	933	-	312	933	933
Apportionment Fed Receipts Flood Control ..	-	-	-	-	52,560	-	-	-	-	30,000	-	-
Apportionment Fed Receipts Forest Res ..	-	-	-	-	135	-	-	-	-	110	-	-
Apportionment Fed Receipts Grazing Land ..	-	-	-	-	3,099	-	-	-	-	1,830	-	-
Apportionment Fed Receipts Grazing Land ..	-	-	-	-	-	-	-	-	-	-	-	-
TOTALS, GENERAL GOVERNMENT	1,480,007	105,156	1,585,163	-	172,046	1,413,117	107,141	1,520,258	25,000	183,805	1,604,063	183,805

Schedule 9

COMPARATIVE STATEMENT OF EXPENDITURES BY CHARACTER, FUNCTION, ORGANIZATION UNIT AND FUND
FISCAL YEARS 1987-88, 1988-89, AND 1989-90—Continued
 (Figures in thousands)

	Actual 1987-88			Estimated 1988-89			Estimated 1989-90		
	General Fund	Special funds	Budget Total	General Fund	Special funds	Budget Total	General Fund	Special funds	Budget Total
Apportionment of Trailer Coach Fees	-	15,900	15,900	-	15,100	15,100	-	14,400	14,400
Apportionment Motor Vehicle License Fee	-	1,768,158	1,768,158	-	1,917,672	1,917,672	-	2,050,839	2,050,839
Apportionment Cigarette Tax	-	73,418	73,418	-	71,356	71,356	-	69,286	69,286
Apportionment Tideland Revenues	352	-	352	300	-	300	300	-	300
Apportionment for County Roads	-	275,908	275,908	-	279,536	279,536	-	286,374	286,374
Apportionment for City Streets	-	198,779	198,779	-	204,496	204,496	-	207,579	207,579
Apportionment County Road & City Street Financial Aid to Local Agencies	-	125,302	125,302	-	127,481	127,481	-	129,640	129,640
Apportionment of Geothermal Res Develop	-	2,653	2,653	-	2,667	2,667	-	2,880	2,880
Totals, Shared Revenues	352	2,463,311	2,463,663	300	2,623,241	2,623,541	300	2,765,931	2,766,231
Totals, Local Government Aid	1,011,423	2,484,751	3,496,174	949,765	2,623,241	3,573,006	951,405	2,765,931	3,717,336
Statewide Distributed Costs	-	-	-	-	-	-	-	-	-
State Mandated Local Costs	11,116	970	12,086	38,272	347	38,619	37,291	443	37,734
Totals, Statewide Distributed Costs	11,116	970	12,086	38,272	347	38,619	37,291	443	37,734
Statewide Expenditures and Savings	-	-	-	-	-	-	-	-	-
Universal Telephone Service Program	-	68,103	68,103	-	-	-	-	-	-
Estimated Undistributable Savings	-	-	-	-	-	-	-	-	-
Estimated Bond Fund Appropri Adjustments	-	-	-	-	-	-	-	-	-
Various Departments	-	-	-	-	-	-	-	-	-
Ctrl Section for Bight Enactment Proces	-	-	-	-	-	-	-	-	-
Totals, Statewide Expenditures and Savings	-	68,103	68,103	-	-	-	-	-	-
Totals, GENERAL GOVERNMENT	1,083,621	2,537,632	3,721,253	973,248	2,706,729	3,579,577	949,263	2,851,950	3,801,213
TOTALS, LOCAL ASSISTANCE	24,926,970	3,557,406	28,484,376	27,028,514	4,256,385	31,284,899	28,235,403	4,361,901	32,597,304
CAPITAL OUTLAY									
LEGISLATIVE, JUDICIAL, AND EXECUTIVE	-	-	-	-	-	-	-	-	-
Judicial	-	-	-	-	-	-	-	-	-
Judiciary	-	-	-	-	-	-	-	-	-
Totals, Judicial	-	-	-	-	-	-	-	-	-
Executive/Governor	-	-	-	-	-	-	-	-	-
Office of Emergency Services	304	-	304	-	94	94	-	-	-
Totals, Executive/Governor	304	-	304	-	94	94	-	-	-
Executive/Constitutional Offices	-	-	-	-	-	-	-	-	-
Department of Justice	-	296	296	355	94	449	-	-	-
State Board of Equalization	-	50	50	-	190	190	-	-	-
Totals, Executive/Constitutional Offices	-	346	346	355	284	639	-	-	-
TOTALS, LEGISLATIVE, JUDICIAL, AND EXECUTIVE	304	346	650	355	378	733	-	-	-
STATE AND CONSUMER SERVICES	-	-	-	-	-	-	-	-	-
Museum of Science and Industry	-	763	763	-	120	120	-	-	-
Dept of General Services	-	3,371	3,371	-	5,427	5,427	-	-	-
Department of Veterans Affairs	-	-	-	-	-	-	-	-	-
Veterans' Home of California	-	3,158	3,158	-	2,749	2,749	-	2,283	2,283
Totals, Department of Veterans Affairs	-	3,158	3,158	-	2,749	2,749	-	2,283	2,283
TOTALS, STATE AND CONSUMER SERVICES	-	7,292	7,292	-	8,296	8,296	-	2,283	2,283

Schedule 9

COMPARATIVE STATEMENT OF EXPENDITURES BY CHARACTER, FUNCTION, ORGANIZATION UNIT AND FUND
FISCAL YEARS 1987-88, 1988-89, AND 1989-90—Continued
 (Figures in thousands)

	Actual 1987-88			Estimated 1988-89			Estimated 1989-90			
	General Fund	Special funds	Budget Total	Selected Bond funds	Federal Fund	General Fund	Special funds	Budget Total	Selected Bond funds	Federal Funds
BUSINESS, TRANSPORTATION, AND HOUSING										
Transportation										
Dept of Transportation	-	214,157	214,157	-	686,871	-	118,833	118,833	-	1,480,096
Dept of the California Highway Patrol	-	9,905	9,905	-	-	-	5,990	5,990	-	-
Department of Motor Vehicles	-	3,002	3,002	-	-	-	4,539	4,539	-	-
Totals, Transportation	-	227,064	227,064	-	686,871	-	129,362	129,362	-	1,480,096
TOTALS, BUSINESS, TRANSPORTATION, AND HOUSING	-	227,064	227,064	-	686,871	-	129,362	129,362	-	1,480,096
RESOURCES										
California Tahoe Conservancy	-	15	15	10,019	8,090	-	300	300	17,939	4,467
California Consersvation Corps	-	296	296	-	-	-	1,802	1,802	-	-
Energy Resources Conservation & Dev Com	-	-	-	-	-	-	-	-	-	-
Air Resources Board	-	134	134	-	-	-	94	94	-	-
Department of Forestry and Fire Protect	-	626	626	-	-	75	935	1,010	-	-
State Lands Commission	-	242	242	-	-	66	635	635	-	-
Dept of Fish and Game	69	802	871	-	290	-	3,132	3,198	-	581
Wildlife Conservation Board	-	2,530	2,530	8,998	-	-	8,130	8,130	39,085	-
State Coastal Conservancy	-	-	-	8,052	-	-	3,350	3,350	35,525	-
Dept of Parks and Recreation	402	8,108	8,510	26,965	951	-	13,656	13,656	87,291	2,221
Santa Monica Mountains Conservancy	-	4,371	4,371	345	-	-	-	-	10,000	-
Department of Water Resources	-	7,368	7,368	-	-	-	12,958	12,958	-	-
TOTALS, RESOURCES	471	24,492	24,963	54,379	9,321	141	44,992	45,133	189,840	7,269
HEALTH AND WELFARE										
Dept of Health Services	-	1,497	1,497	-	-	-	732	732	-	-
Dept of Developmental Services	-	7,140	7,140	-	-	-	18,733	18,733	-	-
Dept of Mental Health	-	22,462	22,462	-	-	-	29,952	29,952	-	-
Employment Development Dept	-	477	477	-	976	-	292	292	-	504
TOTALS, HEALTH AND WELFARE	-	31,576	31,576	-	976	-	49,709	49,709	-	504
YOUTH AND ADULT CORRECTIONAL AGENCY										
Dept of Corrections	1,040	1,110	2,150	203,043	-	60	3,146	3,206	333,028	-
Dept of Youth Authority	-	1,114	1,114	18,326	-	91	301	392	76,343	-
TOTALS, YOUTH AND ADULT CORRECTIONAL AGENCY	1,040	2,224	3,264	221,369	-	151	3,447	3,598	409,371	-
EDUCATION										
K thru 12 Education	-	-	-	-	-	-	180	180	-	-
State Library	-	-	-	-	-	-	180	180	-	-
Totals, K thru 12 Education	-	-	-	-	-	-	-	-	-	-
Higher Education - Community Colleges	-	8,073	8,073	41,888	-	-	697	697	93,998	-
Bd of Governors of Calif Comm Colleges	-	-	-	-	-	-	-	-	-	-
Totals, Higher Education - Community Colleges	-	8,073	8,073	41,888	-	-	697	697	93,998	-
Higher Education - Uc, CSU and Other	-	1,629	1,629	69,611	500	-	-	-	-	-
University of California	-	2,977	2,977	70,190	-	-	701	701	193,373	-
California State University	-	-	-	63	-	-	-	-	280	-
California Maritime Academy	-	-	-	-	-	-	-	-	-	-
Totals, Higher Education - Uc, CSU and Other	-	4,606	4,606	139,864	500	-	701	701	374,877	-
TOTALS, EDUCATION	-	12,679	12,679	181,752	500	-	1,578	1,578	468,875	-

Schedule 9

COMPARATIVE STATEMENT OF EXPENDITURES BY CHARACTER, FUNCTION, ORGANIZATION UNIT AND FUND FISCAL YEARS 1987-88, 1988-89, AND 1989-90—Continued

(Figures in thousands)

	Actual 1987-88			Estimated 1988-89			Estimated 1989-90		
	General Fund	Special funds	Budget Total	General Fund	Special funds	Budget Total	General Fund	Special funds	Budget Total
GENERAL GOVERNMENT									
General Administration	-	20	20	-	413	413	-	-	-
Dept of Industrial Relations	-	194	194	-	1,050	1,050	-	-	-
Dept of Food and Agriculture	-	172	172	-	161	161	-	-	-
Military Department	-	-	-	-	-	-	-	-	-
Totals, General Administration	-	386	386	-	1,624	1,624	-	-	-
Statewide Expenditures and Savings	-	233	233	-	-6,450	-6,450	195	300	495
Unallocated Capital Outlay	-	-	-	-	-	-	-	-	-
Estimated Bond Fund Appropriations	-	-	-	-	-	-	-	-	-
Totals, Statewide Expenditures and Savings	-	-	-	-	-	-	-	-	-
Totals, GENERAL GOVERNMENT	-	619	619	-	-6,450	-6,450	195	300	495
TOTALS, CAPITAL OUTLAY	1,815	306,292	308,107	647	232,936	233,583	1,075,336	275,591	275,591
UNCLASSIFIED									
RESOURCES									
Dept of Boating & Waterways	-	13,962	13,962	-	14,000	14,000	-	14,000	14,000
TOTALS, RESOURCES	-	13,962	13,962	-	14,000	14,000	-	14,000	14,000
GENERAL GOVERNMENT									
Statewide Expenditures and Savings	889	-	889	-	-	-	-	-	-
Federal Levy of State Funds	-251,000	-	-251,000	-80,000	-	-80,000	-	-	-
Reserve for Encumbrances	-250,111	-	-250,111	-79,730	-	-79,730	-	-	-
Totals, Statewide Expenditures and Savings	-250,111	-	-250,111	-79,730	-	-79,730	-	-	-
TOTALS, GENERAL GOVERNMENT	-250,111	-	-250,111	-79,730	-	-79,730	-	-	-
TOTALS, UNCLASSIFIED	-250,111	13,962	-236,149	-79,730	14,000	-65,730	-	14,000	14,000
TOTAL	33,020,822	6,613,715	39,634,537	35,922,385	7,535,094	43,457,479	1,610,857	8,092,593	46,102,638
State Operations	8,342,148	2,736,055	11,078,203	8,972,954	3,031,773	12,004,727	9,774,447	3,441,296	13,215,743
Local Assistance	24,926,970	3,557,406	28,484,376	27,028,514	4,556,365	31,294,899	28,235,403	4,361,901	32,597,304
Capital Outlay	1,815	306,292	308,107	647	232,936	233,583	1,075,336	275,396	275,591
Unclassified	-250,111	13,962	-236,149	-79,730	14,000	-65,730	-	14,000	14,000
BUDGET ACT TOTALS	31,921,769	2,954,579	34,876,348	34,994,421	3,123,444	38,107,865	36,933,732	4,190,288	41,124,020
State Operations	7,731,662	2,538,817	10,270,479	8,343,544	2,739,313	11,082,857	9,122,760	3,150,899	12,273,659
Local Assistance	24,190,107	223,550	24,413,657	26,640,431	281,169	26,921,600	27,810,972	897,446	28,708,418
Capital Outlay	-	192,212	192,212	191,187	102,962	103,408	-	141,943	141,943
Unclassified	-	-	-	-	-	-	-	-	-
STATUTORY APPROPRIATIONS	503,164	3,498,512	4,001,676	566,472	3,978,884	4,545,356	551,408	3,676,825	4,228,233
State Operations	57,810	160,549	218,359	99,615	225,991	325,606	50,804	212,746	263,550
Local Assistance	445,354	3,324,001	3,769,355	18,917	3,758,893	4,205,750	500,409	3,450,079	3,950,488
Capital Outlay	-	-	-	-	-	-	195	-	195
Unclassified	-	13,962	13,962	-	14,000	14,000	-	14,000	14,000
CONSTITUTIONAL APPROPRIATIONS	512,223	-	512,223	524,224	-	524,224	609,773	-	609,773
State Operations	511,960	-	511,960	524,194	-	524,194	609,773	-	609,773
Local Assistance	263	-	263	30	-	30	-	-	-
OTHER APPROPRIATIONS	83,666	160,624	244,290	-152,732	432,766	280,034	-84,868	225,480	140,612
State Operations	40,716	36,689	77,405	3,601	66,469	72,070	-8,890	77,651	68,761
Local Assistance	291,246	9,855	301,101	-78,804	236,323	157,519	-75,978	14,376	-61,602
Capital Outlay	1,815	114,895	116,710	201	129,974	130,175	133,453	-	133,453
Unclassified	-250,111	-	-250,111	-79,730	-	-79,730	-	-	-

Schedule 9A

PROPOSITION 98
FISCAL YEARS 1987-88, 1988-89, 1989-90

(Figures in thousands)

	<i>Actual 1987-88</i>	<i>Estimated 1988-89</i>	<i>Estimated 1989-90</i>
	<i>General Fund</i>	<i>General Fund</i>	<i>General Fund</i>
Part 1—General Fund Expenditures			
STATE OPERATIONS			
EDUCATION			
K thru 12 Education			
Department of Education—State Special Schools.....	—	39,013	41,520
Totals, K thru 12 Education	—	39,013	41,520
Totals, Education	—	39,013	41,520
Totals, State Operations	—	39,013	41,520
LOCAL ASSISTANCE			
EDUCATION			
K thru 12 Education			
Department of Education:			
Adult Education.....	—	271,814	275,551
American Indian Education Centers.....	—	861	861
Apportionments-County Offices	—	116,548	115,722
Apportionments-District.....	—	8,952,052	9,040,373
Apportionments-ROC/P	—	220,466	220,562
Assessments.....	—	—	1,000
Child Development	—	202,141	198,246
Child Nutrition.....	—	42,077	42,077
Cost-of-Living Adjustment	—	—	532,026
Curriculum Services.....	—	14,918	315
Demo Programs In Reading and Mathematics.....	—	4,367	4,367
Desegregation-Court Ordered	—	399,933	390,058
Desegregation-Voluntary	—	50,343	57,131
Earthquakes	—	8,203	—
Economic Impact Aid Program (EIA)	—	196,952	196,952
Class Size Reduction Incentive Program	—	—	110,000
Environmental Education.....	—	—	515
Gifted and Talented Education Programs.....	—	23,433	23,433
Home to School Transportation	—	293,224	293,462
Instructional Materials (9-12)	—	24,004	23,735
Instructional Materials (K-8)	—	88,474	91,587
Loan Repayments From School Districts	—	— 3,904	— 3,904
Miller-Unruh Reading Program	—	19,869	19,869
Native American Indian Education.....	—	365	365
School Improvement Programs (SIP)	—	251,081	251,081
Special Education	—	1,197,034	1,208,507
Staff Development.....	—	61,479	74,783
Supplementary Program Services	—	16,184	12,285
Tenth Grade Counseling	—	7,223	7,187
Vocational Education.....	—	11,658	12,199
Year-Round School Incentives	—	300	30,300
Proposition 98 Reserve/Expenditures.....	—	39,325	220,000
Totals, Department of Education.....	—	12,510,424	13,450,645
State Mandated Local Costs	—	66,353	114,274
Totals, K Thru 12 Education	—	12,576,777	13,564,919

Schedule 9A—Continued

PROPOSITION 98
FISCAL YEARS 1987–88, 1988–89, 1989–90
 (Figures in thousands)

HIGHER EDUCATION—COMMUNITY COLLEGES

Board of Governors of California Community Colleges:			
Apportionments for Community Colleges.....	—	1,255,840	1,341,358
Partial State Support—Academic Senate	—	150	150
Extended Opportunity Program	—	32,561	33,149
Disabled Students.....	—	28,414	31,034
Instructional Improvements.....	—	736	736
Deferred Maintenance and Special Repairs.....	—	15,000	15,000
Vocational Education.....	—	1,270	1,270
Instruc Equip Replace and Lib Materials.....	—	11,862	—
Board Financial Aid Program.....	—	11,338	13,420
Foster Parent Training Programs.....	—	900	900
Transfer Centers and Articulation.....	—	2,588	3,481
Hazardous Substances.....	—	5,000	8,000
Matriculation	—	20,626	21,920
Faculty and Staff Diversity.....	—	1,000	1,000
Faculty and Staff Development.....	—	4,900	4,900
Management Information System	—	—	6,400
Proposition 98 Reserve/Expenditures.....	—	—	10,000
Totals, Board of Governors of California Community Colleges.....	—	1,392,185	1,492,718
State Mandated Local Costs	—	1,400	13,673
Totals, Higher Education—Community Colleges.....	—	1,393,585	1,506,391
Totals, Education	—	13,970,362	15,071,310
GENERAL GOVERNMENT			
General Administration:			
Office of Criminal Justice Planning	—	—	16,734
Totals, General Administration	—	—	16,734
Totals, General Government.....	—	—	16,734
Totals, Local Assistance.....	—	13,970,362	15,088,044
Total.....	—	14,009,375	15,129,564
State Operations	—	39,013	41,520
Local Assistance.....	—	13,970,362	15,088,044

Part Two—Revenues

<i>Revenues and Transfers</i>	<i>Reference to Schedule</i>	<i>Estimated 1988–89</i>	<i>Estimated 1989–90</i>
General Fund revenues.....	8	\$35,837,000	\$38,799,000
Less non-tax revenues.....	14-B	— 923,000	— 1,077,000
Plus SAL* transfers.....	14-C	16,000	1,000
Total General Fund SAL* Revenues and Transfers.....		\$34,930,000	\$37,723,000
K thru 14 1986–87 Percentage Share of SAL* Revenues and Transfers.....		40.107%	40.107%
Proposition 98 Share of SAL* Revenue and Transfers.....	9A	\$14,009,375	\$15,129,564

* State Appropriations Limit, Article XIII B

Schedule 9A—Continued

PROPOSITION 98
FISCAL YEARS 1987–88, 1988–89, 1989–90

(Figures in thousands)

Part 3—K–14 Expenditure Reconciliation

<i>General Fund Expenditures</i>	<i>Reference to Schedule</i>	<i>Estimated 1988–89</i>	<i>Estimated 1989–90</i>
Education			
K thru 12 Education			
Proposition 98 Expenditures:			
Department of Education—State Special Schools.....	9A	\$39,013	\$41,520
Excluded Expenditures:			
Department of Education—Headquarters, Balance of....	9/9A	43,545	45,976
State Library.....	9	11,289	11,212
California State Summer School for the Arts.....	9	411	580
California State Council on Vocational Education.....	9	96	99
Commission on Teacher Credentialing.....	9	1,100	1,100
Payment of Interest on PMIA Loans.....	9	13,800	—
General Obligation Bonds.....	9	90,144	127,920
Totals, Excluded Expenditures.....	9	\$160,385	\$186,887
Totals, K–12 Education.....	9	\$199,398	\$228,407
Higher Education—Community Colleges			
Proposition 98 Expenditures:			
Board of Governors of the California Community Colleges.....	9A	—	—
Excluded Expenditures:			
Board of Governors of the California Community Colleges.....	9	\$13,016	\$14,395
Payment of Interest of PMIA Loans.....	9	1,021	—
General Obligation Bonds.....	9	15,990	20,585
Totals, Excluded Expenditures.....	9	\$30,027	\$34,980
Totals, Higher Education—Community Colleges.....	9	\$30,027	\$34,980
LOCAL ASSISTANCE			
Education			
K–12 Education			
Proposition 98 Expenditures:			
Department of Education.....	9A	\$12,510,424	\$13,450,645
State Mandated Local Costs.....	9A	66,353	114,274
Totals, Proposition 98 Expenditures.....	9A	\$12,576,777	\$13,564,919
Excluded Expenditures:			
Department of Education:			
Child Development, Private Providers.....	9/9A	\$132,094	\$132,094
Library Services.....	9	33,904	34,584
School Facilities Aid Program.....	9	—1,808	—1,808
Contributions to Teachers Retirement Fund.....	9	546,602	449,215
Totals, Excluded Expenditures.....	9	\$710,792	\$614,089
Totals, K–12 Education.....	9	\$13,287,569	\$14,179,004
Higher Education—Community Colleges			
Proposition 98 Expenditures:			
Board of Governors of the California Community Colleges.....	9A	\$1,392,185	\$1,492,718
State Mandated Local Costs.....	9A	1,400	13,673
Totals, Proposition 98 Expenditures.....	9A	\$1,393,585	\$1,506,391
Excluded Expenditures:			
Board of Governors of the California Community Colleges.....	9A	—	—
Totals, Higher Education—Community Colleges.....	9	\$1,393,585	\$1,506,391
Totals, K–14 Education.....	9	\$14,910,578	\$15,948,782
Proposition 98 Expenditures.....	9A	14,009,375	15,129,564
Less Office of Criminal Justice Planning.....		—	—16,734
K–14 Proposition 98 Expenditures.....		\$14,009,375	\$15,112,830
K–14 Excluded Expenditures.....		\$901,203	\$835,952

NOTE: Totals may not add due to rounding.

Schedule 10

SUMMARY OF FUND CONDITION BY FUNDS AS OF JUNE 30, 1987, 1988, 1989 and 1990

(In Thousands)

Fund	Reserves June 30, 1987	Actual Income 1987-88	Actual Expenditures 1987-88	Reserves June 30, 1988	Estimated Income 1988-89	Estimated Expenditures 1988-89	Reserves June 30, 1989	Estimated Income 1989-90	Estimated Expenditures 1989-90	Reserves June 30, 1990
GENERAL FUND	661,521	32,533,947	33,020,820	174,648	36,001,960	35,922,385	254,223	38,876,824	38,010,045	1,121,002
SPECIAL FUNDS										
General Fund Special Accounts:										
Property Acquisition Law Money Account	3,287	958	1,528	2,717	638	1,721	1,634	1,268	2,203	699
Motor Vehicle Parking Facility Money Account	630	2,748	2,706	672	3,350	2,844	1,178	3,838	4,056	980
Access for Handicapped Account	536	1,397	517	1,416	2,051	788	2,679	2,154	908	3,925
Attorney General Antitrust Account	1,353	-	411	942	-	427	515	-	444	71
Hazardous Waste Control Account	-6,037	41,881	32,534	3,310	48,953	46,775	5,488	47,956	49,282	4,162
Subsequent Injuries Money Account	153	1,982	2,000	135	2,000	2,000	135	2,000	2,000	135
Fingerprint Fees Account	4,323	11,437	11,329	4,431	11,091	12,988	2,534	13,694	14,652	1,576
Energy Loan Fund Account, State	-	174	174	-	186	186	-	189	189	-
Emergency Telephone Number Act, State	9,057	40,532	45,335	4,254	42,767	58,337	-11,316	60,079	58,419	-9,656
Farm Labor Contractors Special Account	222	26	4	244	26	50	220	26	50	196
Motor Vehicle Insurance Account, State	4,385	9,023	8,390	5,018	10,295	10,300	5,013	11,131	11,095	5,049
Tax Relief and Refund Account	-	-	21	-21	-	38	-59	-	-	-59
Nuclear Planning Assessment Special Ac	-76	896	820	-	2,637	2,637	-	2,758	2,758	-
County School Service Fund Contingency Ac	55	-	55	-	-1,493	-75	-	-10	-	-
Agricultural & Forestry Reserve Util Ac	4,868	-3,450	-	1,418	-993	2,428	3,535	1,545	4,939	141
Energy Conservation Assistance Ac, State	6,724	-2,750	-2,982	6,956	-	4,687	564	4,527	5,040	51
Geothermal Resources Development Account	525	4,682	544	4,643	2,000	2,291	378	2,000	1,983	395
Surface Mining and Reclamation Account	602	2,000	1,933	669	44,667	117,829	-24,572	37,612	12,554	486
Special Account for Capital Outlay	120,012	90,152	161,574	48,590	44,667	-	847	-	-	847
Auditor General Fund	847	-	-	847	-	-	-	-	-	-
Energy Efficiency Improvements Loan Fund	-	-	-2,750	2,750	-	2,750	-	-	-	-
Clean Fuels Account	5,000	-	1,896	3,104	-	2,979	125	-	50	75
Hazardous Waste Mgmt Planning Subaccount	5,487	363	2,249	3,601	252	2,833	1,020	80	1,015	85
Local Jurisdiction Energy Assistance	40,499	-	16,346	24,153	-	23,506	647	-	331	316
Local Agency Technical Assistance Ac't	-	-	-	-	80	80	-	-	-	-
Methane Gas Hazard Reduction Account	-	500	-	500	-	400	100	-	100	-
Air Toxics Inventory and Assessment Acct	-	-	-	-	1,221	1,220	1	1,363	1,364	-
Solid Waste Disposal Site Cleanup & Maintenance	-	2,000	185	1,815	-	963	852	2,960	1,244	2,568
Underground Storage Tank Tester Account	-	30	27	3	320	239	84	650	259	475
Assistance for Fire Equipment Acct, State	-	-	-215	215	-	-	215	-	-	-
Supercomputer Center Account	-	-	-	-	-	-	-	2,000	2,000	-
Seismic Gas Valve Cert Fee Acct	-	-	-	-	79	79	-	83	83	-
Manufactured Home License Fee Account	4,234	16,966	17,712	3,488	16,000	16,928	2,560	15,200	16,309	1,451
Elevator Safety Account	405	2,331	2,358	378	3,695	3,175	898	4,030	3,313	1,615
Pressure Vessel Account	283	2,082	2,079	266	2,840	3,015	91	3,331	3,098	324
Hazardous Substance Subaccount	211	17,105	15,268	2,048	19,454	17,145	4,357	20,101	18,657	5,801
Mortgage Bd & Tax Credit Alloc Fee Acct	84	440	115	409	400	243	566	400	335	631
Site Operation and Maintenance Account	2,765	247	525	2,487	229	56	2,660	225	608	2,277
Dealers Record of Sale Acct	41	972	884	129	1,129	901	357	1,129	989	497
Public Util Comm Transport Reimb Acct	1,395	5,620	3,524	3,491	3,183	4,706	1,968	3,875	4,300	1,543
Public Utilities Comm Utilities Reimb Acct	11,038	40,776	38,123	13,691	32,892	42,433	4,150	42,095	40,314	5,931
R. Z.berg Urban Open Space Rec Prog Acct	400	-	-	400	-	-	400	7,500	7,500	-
First Offender Program Evaluation Fund	529	-	260	269	-269	-	-	-	-	-
Energy Resources Programs Account	4,404	37,033	36,791	4,646	40,282	39,057	5,971	40,201	41,004	5,168
State Fair Police Special Account, Calif	23	25	6	42	18	6	54	18	20	52
Narc Assist & Relinquish Crim Offend Fd	-5	256	219	32	980	980	32	500	500	32
Farm Land Mapping Account (Abol 7/88)	80	700	678	102	-102	-	-	-	-	-
Vietnam Veterans Memorial Account	5	1,176	481	700	417	667	450	180	272	358
Underground Storage Tank Fund	2,311	530	788	2,053	1,263	1,118	2,198	1,049	1,120	2,127
Underground Container Inventory Account	135	6	14	127	-127	-	-	-	-	-
Gaming Registration Fee Account	351	343	297	397	283	281	399	283	293	389

Schedule 10

SUMMARY OF FUND CONDITION BY FUNDS AS OF JUNE 30, 1987, 1988, 1989 and 1990—Continued

(In Thousands)

Fund	Reserves June 30, 1987	Actual Income 1987-88	Actual Expenditures 1987-88	Reserves June 30, 1988	Estimated Income 1988-89	Estimated Expenditures 1988-89	Reserves June 30, 1989	Estimated Income 1989-90	Estimated Expenditures 1989-90	Reserves June 30, 1990
Mosquito-borne Disease Surveillance Acct	47	5	7	45	20	19	46	33	27	52
Energy Tech Research, Dev, & Demo Acct	3,319	654	3,038	935	1,967	2,705	197	1,600	1,797	-
Garment Manufacturers Special Account	-	-	-	-	50	50	-	50	50	-
Surface Impoundment Assessment Account	44	1,318	1,336	26	2,766	2,766	26	2,833	2,833	26
Armory Discretionary Improvement Account	111	66	38	139	110	120	129	110	120	119
Emergency Clean Water Grant Fund	3,555	-	646	2,909	-	2,909	-	-	-	-
Financial Responsibility Penalty Account	3,817	1,106	-	4,923	77	-	5,000	200	-	5,200
Hazardous Waste Reduction Incentive Acct	3,075	125	3,200	-	-	-	-	-	-	-
Peace Officers' Memorial Account	-3	276	273	270	307	229	-	316	173	550
Boxer's Neurological Examination Account	96	325	151	-	86	170	407	85	-	171
Developmental Disabilities Services Acct	-	-	-	-	2,000	-	86	-	-	160
Local Govt Geothermal Resource Subacct	3,031	1,990	2,282	2,739	-	4,731	8	2,160	2,008	-
State Transportation Fund:										
Aeronautics Account STF	606	5,017	4,796	827	4,970	4,982	815	5,070	5,019	866
Highway Account, State, STF	423,998	1,066,260	1,205,296	284,962	1,119,769	1,266,668	138,063	1,302,944	1,431,653	9,354
Motor Vehicle Account, STF	103,755	806,285	789,072	120,968	848,564	811,540	157,992	775,334	886,017	47,309
Bicycle Lane Account, STF	631	515	844	302	520	702	120	525	645	-
Transport Planning & Develop Acct, STF	3,952	40,773	37,248	7,477	42,230	48,798	909	97,530	97,962	477
Abandoned Railroad Account, STF	449	35	19	465	32	56	441	31	56	416
New Motor Vehicle Board Account	796	818	866	748	880	1,059	569	895	1,059	405
Transportation Tax Funds:										
Motor Vehicle Fuel Account, ITF	35,123	20,697	20,771	35,049	21,436	21,070	35,415	22,203	21,273	36,345
Highway Users Tax Account, ITF	-	599,289	599,289	-	611,513	611,513	-	623,593	623,593	-
Motor Vehicle License Fee Account, ITF	-	1,884,770	1,875,738	9,032	2,030,000	2,039,032	-	2,184,000	2,184,000	-
Feeder Funds:										
Cigarette Tax Fund	12,747	74,599	75,065	12,281	73,000	73,000	12,281	71,000	71,000	12,281
Other Governmental Cost Funds:										
Acupuncturists Fund	278	660	442	496	737	519	714	758	558	914
Agriculture Acct, Ag Fund	33,443	60,062	57,108	36,397	57,811	60,789	33,419	58,225	63,062	28,582
Agricultural Pest Control Research Acct	865	81	7	939	86	330	695	81	341	435
Missing Children Reward Fund	24	-	-	24	-	1	23	-	2	21
Auctioneer Commission Fund	218	365	169	414	140	246	308	307	269	346
Air Pollution Control Fund	2,396	1,770	2,495	1,671	2,061	2,483	1,249	7,727	7,526	1,450
Alcoholic Beverage Control Appeals Fund	245	349	287	307	389	451	245	392	493	144
Animal Health Technician Exam Comm Fund	156	81	88	149	86	103	132	87	105	114
School Building Program Account-APB Fund	599	5,453	4,629	1,423	8,151	7,453	4,539	4,334	6,326	6,326
Hospital Building Account-APB Fund	9,968	13,651	14,871	8,748	15,329	16,875	7,202	16,061	17,093	6,170
Hosp Plan Chk Acct, APB Fund	532	3,640	2,480	1,692	3,809	2,474	3,027	3,987	4,457	2,557
Rural Economic Development Fund	7,299	14,138	2,675	18,692	812	16,722	2,782	8,477	10,323	936
Agricultural Export Promotion Acct, Ca	3	15	8	10	15	15	10	15	15	10
Assembly Contingent Fund	338	-	338	-	-	-	-	-	-	-
Automotive Repair Fund	6,001	8,198	7,205	6,994	-3,100	3,894	-	-	-	-
Water Device Certification Special Acct	12	109	57	64	81	100	45	85	118	12
Awol Abatement Program Fund	3	-	-	3	-	-	3	-	-	3
Foster and Small Family Insurance Fund	294	-	-470	764	-	165	599	-	556	43
Beverage Container Recycling Fund, Ca	1,471	46,057	47,528	-	81,824	81,824	-	81,824	81,824	-
Redemption Bonus Account	-	35,825	35,825	-	40,000	40,000	-	40,000	40,000	-
Aids Vaccine Research Develop Grant Fd	7,264	-1,473	3,714	2,077	-	83	1,994	-	83	1,911
Banking Fund, State	6,795	10,903	10,954	6,744	10,318	11,394	5,668	11,210	12,033	4,845
Vital Record Improvement Project Fund	110	7,760	173	7,697	7,435	1,373	13,759	4,535	4,965	13,329
Drinking Driver Program Licensing Trust	37	410	339	108	489	597	-	611	611	-
Environmental License Plate Fund, Calif	11,316	25,214	22,663	13,867	26,478	33,739	6,606	19,745	25,251	1,100

Schedule 10

SUMMARY OF FUND CONDITION BY FUNDS AS OF JUNE 30, 1987, 1988, 1989 and 1990—Continued

(In Thousands)

Fund	Reserves June 30, 1987	Actual Income 1987-88	Actual Expenditures 1987-88	Reserves June 30, 1988	Estimated Income 1988-89	Estimated Expenditures 1988-89	Reserves June 30, 1989	Estimated Income 1989-90	Estimated Expenditures 1989-90	Reserves June 30, 1990
Soil Conservation Fund	-	-	-	-	1,212	1,055	157	1,110	1,103	164
Health Data & Planning Fund, Ca	2,647	3,307	4,965	989	6,669	6,383	1,215	6,942	6,721	1,436
Water Fund, California	1,398	3,301	3,756	943	3,472	4,415	-	503	-75	578
Commerce Marketing Fund	2	3	-	5	10	-	15	10	-	25
Capital Outlay Fd for Public Higher Educ	3,225	28	9,556	-6,303	-	-6,306	3	-	-	3
Unitary Fund, California	-	-	-	-	10,000	25	9,975	33,000	-	42,975
Chiropractic Examiners Fund	647	934	1,036	545	1,064	926	683	1,155	903	935
Collection Agency Fund	1,031	874	592	1,313	845	800	1,358	855	812	1,401
Assembly and Senate, Contingent Funds Of	21	-	-	21	-	-	21	-	-	21
Life Care Provider Fee Fund	-	-	-	-	-	-	-	230	192	38
Outer Cont Shelf Land Act Sec 8g Rev Fund	-	-	-	-	-	-	-	3,006	2,996	10
Community College Credentials Fund	565	837	872	530	702	707	525	597	764	358
Delinquent Tax Collection Fund	-	-	-	-	5,229	5,229	-	5,303	5,303	-
Structural Pest Control Research Fund	-	-	-	-	61	-	61	60	-	121
Debt Limit Allocation Committee Fund, Cal	-	112	-	112	220	222	110	230	229	111
Corrections Training Fund	4,576	9,024	12,611	989	15,306	14,549	1,746	13,157	14,616	287
Debt Advisory Commission Fund Calif	2,760	859	915	2,704	674	1,181	2,197	609	1,125	1,681
Developmental Disabilities Prog Dev Fund	3,721	3,043	3,812	2,952	3,100	5,368	684	3,200	3,621	263
Dispensing Opticians Fund	210	205	132	283	50	169	164	208	173	199
Delta Flood Protection Fund	-	-	-	-	6,300	5,994	306	12,600	12,000	906
Food Safety Fund	-	-	-	-	1,400	239	1,161	2,800	2,812	1,149
Driver Training Penalty Assessment Fund	-	876	876	-	989	989	-	877	877	-
Environmental Laboratory Improvement Fnd	-	-	-	-	897	337	560	1,262	1,545	277
Personnel Services Fund	457	327	531	253	312	464	101	306	405	2
Registered Nurse Education Fund	-	-	-	-	-	-	-	624	600	24
Employment Developmnt Dept Benefit Audit	3,958	5,870	6,565	3,263	7,590	7,012	3,941	8,650	8,359	4,132
Employment Development Contingent Fund	-5	20,992	19,987	1,000	24,837	24,837	1,000	27,457	27,457	1,000
Energy and Resource Fund	1,148	254	33	1,369	-578	-	791	-577	-	214
Fair and Exposition Fund	2,410	26,211	26,539	2,082	23,522	21,552	4,052	25,645	23,785	5,912
Satellite Wagering Account	3,056	7,617	7,600	3,073	14,991	17,211	853	15,513	15,677	689
Asset Forfeiture Distribution Fund	-	-	-	-	1,250	-	1,250	2,500	1,089	2,661
Fire and Arson Training Fund, Calif	-132	1,486	1,353	1	1,408	1,408	1	1,444	1,385	60
Fireworks Licensing Fund, California	117	286	315	88	275	303	60	270	271	59
Fish and Game Preservation Fund	18,680	62,172	62,713	18,139	67,430	74,931	10,638	77,284	78,260	9,662
Fisheries Restoration Account	2,083	-	843	1,250	-	1,250	-	-	-	-
Genetic Disease Testing Fund	5,211	20,670	21,046	4,835	24,668	24,862	4,641	26,468	27,502	3,607
Geology and Geophysics Fund	436	78	228	286	491	259	518	72	260	330
Hearing Aid Dispensers Fund	414	228	258	384	243	305	322	258	295	285
Hazardous Liquid Pipeline Safety Calif	38	1,169	882	325	1,187	1,068	454	1,215	1,095	574
Waterfowl Habitat Preservation Act, Cal	-	100	-	100	-	-	100	1,009	-	1,109
Restitution Fund	10,231	54,507	43,435	21,303	72,757	59,233	34,827	78,942	97,114	16,655
Industrial Development Fund	2,900	524	293	3,131	550	363	3,318	550	380	3,488
Industrial Rel Construction Enforce Fd	69	536	596	9	586	559	36	586	607	15
Insurance Fund	4,864	34,154	29,703	9,315	37,980	33,594	13,701	39,119	35,417	17,403
Industrial Loan Special Fund	73,649	-42,252	-	31,397	-18,000	-	13,397	-13,397	-	-
Cigarette & Tobacco Products Surtax Fund	-	-	-	-	-	-	-	554	554	-
Health Ed Act, Cig & Tob Pr Surtax	-	-	-	-	60,000	-	60,000	124,889	175,583	9,306
Hospital Svc Act, Cig & Tob Pr Surtax	-	-	-	-	105,000	99,750	5,250	218,556	207,628	16,178
Physician Svc Act, Cig & Tob Pr Surtax	-	-	-	-	30,000	28,500	1,500	62,445	59,323	4,622
Research Act, Cig & Tob Pr Surtax	-	-	-	-	15,000	-	15,000	31,222	43,896	2,326
Public Res Act, Cig & Tob Pr Surtax	-	-	-	-	15,000	-	15,000	22,722	35,859	1,863
Unallocated Act, Cig & Tob Pr Surtax	-	-	-	-	75,000	71,250	3,750	156,112	148,306	11,556
Local Agency Deposit Fund	21	300	234	87	186	251	22	246	249	19
Loc Pub Prosecutors & Pub Defenders Trng	210	900	840	270	900	876	294	900	981	213
Methadone Program Licensing Trust Fund	6	336	327	15	396	407	4	519	523	-

Schedule 10

SUMMARY OF FUND CONDITION BY FUNDS AS OF JUNE 30, 1987, 1988, 1989 and 1990—Continued
(In Thousands)

Fund	Reserves June 30, 1987	Actual Income 1987-88	Actual Expenditures 1987-88	Reserves June 30, 1988	Estimated Income 1988-89	Estimated Expenditures 1988-89	Reserves June 30, 1989	Estimated Income 1989-90	Estimated Expenditures 1989-90	Reserves June 30, 1990
Mobilehome Park Revolving Fund	9	1,930	1,957	-18	2,255	2,237	-	3,187	2,722	465
Public Facilities Account-NDA Fund	9,044	662	681	9,025	479	2,345	7,159	293	2,345	5,107
Street and Highway Account-NDA Fund	9,406	725	628	9,503	593	2,671	7,425	382	2,671	5,136
Natural Disaster Acc., Nat. Disaster Ast. Fd	644	-	-	644	-	-	644	-	-	644
Flood Disaster Account 1986	3,493	-	270	3,223	-	600	2,623	-	1,123	1,500
Earthquake Emergency Invest Acct-NDA Fd	100	-	21	79	-	79	-	-	-	-
Southern Cal Earthquake Acct 1987-NDA Fd	-	-	-19,143	19,143	-	7,027	12,116	-	12,114	2
Nursing Home Admin St. Lic Exam Bd Fund	415	299	317	397	500	373	524	144	368	300
Off Highway License Fee Fund	782	782	559	559	933	933	559	933	933	559
Off Highway Vehicle Fund	27,889	13,237	15,024	26,102	21,508	29,571	18,039	17,263	26,255	9,017
Osteopathic Examiners Contingent Fund	482	540	415	607	465	489	583	465	446	602
Conservation & Enforcement Sys Ac-OHV Fd	-	5,271	-	5,271	-5,271	-	-	-	-	-
Peace Officers Training Fund	5,274	36,991	38,298	3,967	38,999	39,476	3,490	40,944	41,327	3,107
Physicians Assistant Fund	449	472	309	612	287	359	540	565	407	698
Pilot Commissioners Fund	27	472	469	30	564	530	64	605	589	80
Podiatry Fund	468	608	620	456	607	712	351	694	736	299
Polygraph Examiners Fund	3	81	84	-	88	88	-	41	41	-
Professional Forester Registration Fund	134	88	113	109	110	117	102	110	121	91
Private Post Secondary Admin. Fund	118	1,174	1,189	103	1,615	1,569	149	1,693	1,680	162
Psychology Fund	955	915	982	878	977	1,145	710	1,040	1,031	719
Traumatic Brain Injury Fund	-	-	-	-	260	-	260	500	-	760
Real Estate Fund	16,656	23,239	21,805	18,090	24,063	23,274	18,879	23,996	24,573	18,302
Respiratory Care Fund	1,438	339	537	1,240	440	614	1,066	428	601	893
Electronic and Appliance Repair Fund	312	1,314	1,104	522	1,269	1,173	618	1,269	1,272	615
Sanitarian Registration Fund	184	169	132	221	103	126	198	187	132	253
Savings Association Spec Regulatory Fund	4,478	7,181	8,765	2,894	8,377	9,142	2,129	7,514	9,488	155
School Fund, State	37	64,229	64,229	27	66,036	66,036	27	43,246	43,246	27
School Building Lease-Purchase Fund/St	165,341	570,611	698,652	37,300	1,569,955	1,000,000	607,255	-7,255	600,000	-
School Building Safety Fund	-	627	627	-	580	580	-	547	547	-
School Land Bank Fund	2,235	326	-	2,561	200	-	2,761	200	-	2,961
Senate Contingent Fund	1,924	-	-1,041	2,965	-	-	2,965	-	-	2,965
Mandates Claims Fund, State	5,000	-	-741	5,741	-	112	5,629	-	-	5,629
Speech Pathology & Audio Exam Comm Fund	148	421	223	346	45	242	149	467	244	-
Higher Education Earthquake Account 1987	-	-	-	-	-	-	-	-	-	-
Bicycle License & Registration Fund, St	52	32	35	851	33	851	43	-43	-	-
Dental Auxiliary Fund, State	208	603	644	167	764	747	184	784	758	210
Site Mitigation Fund	-	-	-	-	-	-	-	-	-	-
Parks and Rec Acct, St, Parks & Rec Fd	8,659	46,759	48,395	7,023	46,789	51,137	2,675	67,124	67,124	-
Fines & Forfeitures Acct, Parks & Rec Fd	1,034	350	333	1,051	350	276	1,125	47,100	49,715	60
Self-Insurance Plans Fund	792	1,324	1,341	775	1,324	1,465	634	1,324	1,543	1,125
State Police Fund, California	139	98	42	195	98	41	252	98	42	415
Strong Motion Instrumentation Spec Fund	1,856	2,915	2,014	2,757	3,460	3,029	3,188	3,760	3,105	3,083
Structural Pest Contrl Educ&enmnt Fd	253	218	91	380	52	99	333	141	196	278
Tax Preparers Fund	395	312	310	397	940	847	490	949	809	630
Teacher Credentials Fund	3,116	5,465	5,841	2,740	6,680	6,389	3,031	6,680	6,868	2,843
Test Development and Admin Acct, Tc Fd	-	2,871	2,229	642	3,060	3,137	565	3,060	3,535	90
Transcript Reimbursement Fund	164	321	254	231	81	303	9	300	303	6
Transportation Rate Fund	9,042	19,446	17,107	11,381	19,200	18,126	12,455	15,059	18,347	9,167
Universal Telephone Service Fund	52,941	15,675	68,293	323	-323	-	-	-	-	-
Vehicle Inspection Fund	19,226	19,117	30,635	7,708	11,270	18,978	-	-	-	-
Vehicle Inspection and Repair Fund	-	-	-	-	34,064	24,067	9,997	64,009	53,817	20,189
Victim Witness Assistance Fund	1,221	13,454	13,582	1,093	14,260	13,948	1,405	14,982	14,355	2,032
Wildlife Restoration Fund	4,419	2,293	2,634	4,078	1,509	4,773	814	1,407	2,018	203
Winter Recreation Fund	88	51	90	49	52	98	3	85	88	-

Schedule 10

SUMMARY OF FUND CONDITION BY FUNDS AS OF JUNE 30, 1987, 1988, 1989 and 1990—Continued

(In Thousands)

Fund	Reserves June 30, 1987	Actual Income 1987-88	Actual Expenditures 1987-88	Reserves June 30, 1988	Estimated Income 1988-89	Estimated Expenditures 1988-89	Reserves June 30, 1989	Estimated Income 1989-90	Estimated Expenditures 1989-90	Reserves June 30, 1990
Professions and Vocations Funds:										
Accountancy Fund	1,864	3,410	3,654	1,620	4,565	4,503	1,682	4,820	5,555	947
Architectural Examiners Fd, Cal St Bd of	2,612	1,847	2,776	1,683	3,245	3,439	1,489	3,410	3,152	1,747
Barber Examiners Fund, State Board of	733	1,182	802	1,113	158	843	428	1,238	899	767
Cemetery Fund	363	318	278	403	306	321	388	306	318	376
Contractors License Fund	24,897	30,734	24,670	30,961	32,481	29,655	33,787	34,683	27,022	41,448
Cosmetology Contingent Fund, Board of	2,799	2,517	3,082	2,234	2,685	3,404	1,515	2,946	3,642	819
Dentistry Fund, State	643	2,952	2,433	1,162	3,127	2,848	1,441	3,169	2,844	1,766
Funeral Directors and Embalmers Fund, St	132	407	402	137	558	537	158	560	535	183
Home Furnishings Fund, Bureau of	1,609	1,726	1,962	1,373	2,223	2,178	1,418	1,610	2,381	647
Dry Cleaning Account	306	55	174	187	27	76	138	26	48	116
Landscape Architects Fund, Cal St Bd of	114	517	404	227	224	451	-	903	455	448
Medical Quality Assurance, Contingent Fd	4,894	14,184	13,003	6,075	13,228	15,109	4,194	12,598	15,407	1,385
Physical Therapy Fund	478	370	329	519	382	380	521	406	400	527
Registered Nursing Fund, Board of	2,378	6,846	5,523	3,701	6,461	6,375	3,587	6,502	7,616	2,473
Optometry Fund, State	620	508	394	734	519	388	865	525	429	961
Pharmacy Board Contingent Fund	1,762	3,259	2,477	2,544	3,930	3,037	3,437	3,523	3,007	3,953
Private Investigator and Adjuster Fund	3,555	3,710	2,725	4,540	3,442	3,301	4,681	3,298	3,598	4,381
Professional Engineer & Land Surveyor Fd	1,824	3,796	3,335	2,285	3,745	3,660	2,370	3,651	3,784	2,237
Shorthand Reporters Fund	493	265	288	490	445	284	651	208	435	424
Behavioral Science Examiners Fund	237	1,373	1,353	257	1,965	1,898	324	2,510	2,148	686
Structural Pest Control Fund	6,334	2,103	2,033	6,404	308	2,003	4,709	1,657	2,038	4,328
Veterinary Examiners Contingent Fund, Bd	307	1,099	573	833	800	660	973	809	782	1,000
Vocational Nurses Account	3,173	2,131	2,212	3,092	1,856	2,736	2,212	1,825	2,984	1,053
Psychiatric Technicians Account	321	712	515	518	682	798	402	712	711	403
Unspecified Special Funds:										
Augmentation for Employee Compensation	-	-	2,141	-2,141	-	7,794	-9,935	-	56,555	-66,490
Payment of Specified Attorney Fees	-	-	-	-	-	150	-150	-	150	-300
Reserve for Contingencies Or Emergency	-	-	-	-	-	1,500	-1,500	-	1,500	-3,000
Section 3.60 Adjustments	-	-	-	-	-	-21,739	21,739	-	-21,739	43,478
Unclassified:										
Retail Sales Tax Fund	-	-	1	-1	-	76	-77	-	-	-77
TOTALS, SPECIAL FUNDS	1,483,786	6,239,236	6,613,712	1,119,310	7,899,141	7,535,092	1,483,359	7,149,547	8,092,592	540,314
GRAND TOTALS	2,155,307	38,773,183	39,634,532	1,293,958	43,901,101	43,457,477	1,737,582	46,026,371	46,102,637	1,661,316

Schedule 11

STATEMENT OF CASH AND SECURITIES OF ALL FUNDS IN THE TREASURY¹

Fund	June 30, 1987				June 30, 1988			
	Cash *	Securities *	Due from Surplus Money Investment Fund *	Totals *	Cash *	Securities *	Due from Surplus Money Investment Fund *	Totals *
NONGOVERNMENTAL COST FUNDS								
Public Service Enterprise Funds								
Antioch and Carquinez Straits Bridge Toll Revenue Fund	\$10	\$3,172	\$16,357	\$19,539	\$11	\$3,172	\$18,716	\$21,899
California Housing Finance Fund	47	473,688	340,613	814,348	51	473,688	296,579	770,318
California Water Resources Development Bond Fund	107	—	118,107	118,214	106	—	155,139	155,245
California National Guard Members Farm and Home Fund of 1978	15	2,268	4,685	6,968	14	2,268	3,743	6,025
Affordable Student Housing Revolving Fund	1	—	99	100	1	—	113	114
Central Valley Water Project Construction Fund	254	405,469	229,268	634,991	235	394,234	124,416	518,885
Central Valley Water Project Revenue Fund	737	—	162,048	162,785	919	8,343	192,915	202,177
California Exposition and State Fair Enterprise Fund	1	2,058,875	3,319	3,320	1	—	7,141	7,142
Compensation Insurance Fund	10	—	77,440	2,136,325	10	2,807,192	65,235	2,872,437
First-time Home Buyer Fund	5,719	5,211	—	10,930	5,854	2,482	—	8,336
Employment Training Fund	2	—	187,104	187,106	2	—	185,680	185,682
Harbor Bond Sinking Fund	600	—	—	600	730	—	—	730
Harbors and Watercraft Revolving Fund	503	—	47,237	47,740	502	—	49,336	49,838
Health Facility Construction Loan Insurance Fund	1	—	47,697	47,698	2	—	55,301	55,303
California Maritime Academy Continuing Education	37	—	—	37	40	—	—	40
New Antioch Bridge Construction Fund	1	—	38,982	38,983	1	—	44,406	44,407
Los Angeles State Building Authority Revenue Fund	—	—	—	—	—	—	—	—
High Tech Education Revenue Bond Fund	29	—	98,154	98,183	40	—	98,786	168,314
Richmond-San Rafael Toll Revenue Fund	2	—	23,903	23,905	1	—	22,414	98,826
San Diego-Coronado Bridge Construction Fund	10	—	23	33	—	—	—	—
Mobilehome Park Purchase Fund	1	—	5,087	5,088	2	—	5,896	—
California Main Street Program Fund	229	—	7,682	229	216	—	—	5,898
San Diego-Coronado Toll Revenue Fund	2	—	138	143	26	—	—	216
San Francisco-Oakland Bay Bridge Toll Revenue Fund	25	—	31	33	—	—	31	33
San Francisco Seawall Sinking Fund No. 3	143	—	2,379	2,389	10	—	1,111	1,121
Small Craft Harbor Bond Fund	2	—	107,880	107,882	1	—	256,421	256,422
Small Craft Harbor Improvement Fund	10	—	—	2,513	2,840	—	—	2,840
State Lottery Fund	2	—	—	—	55	—	—	55
State Coastal Conservancy Fund	2,513	—	—	933	—	—	—	—
Tahoe Conservancy Fund	—	—	—	1,854	1,817	—	—	1,817
Uninsured Employers Account	933	—	—	23,685	101	—	31,125	31,226
Asbestos Workers Account	1,834	—	23,584	—	—	—	—	—
State University and Colleges Continuing Education Revenue Fund	101	—	—	—	—	—	—	—
State University and Colleges Dormitory Building Maintenance and Equipment Reserve Fund	31	—	24,868	24,899	33	—	27,107	27,140
State University and Colleges Dormitory Construction Fund	382	—	45,898	46,280	388	—	66,430	66,818
State University and Colleges Dormitory Interest and Redemption Fund	41	—	30,216	30,257	40	—	32,180	32,220
State University and Colleges Facilities Revenue Fund	711	—	56,384	57,095	687	—	72,463	73,150
State University and Colleges Facilities Revenue Fund	1	—	423	424	1	—	455	456
State University and Colleges Parking Revenue Fund	2	—	3,741	3,743	1	—	4,122	4,123
Toll Bridge Construction Fund	11	—	111,798	111,809	6	59,511	116,340	175,857
Unemployment Compensation Disability Fund	11	—	270,834	270,845	10	—	682,903	682,913
Veterans Debenture Revenue Fund	5	64,024	66,564	130,593	5	64,121	66,564	130,690
Veterans' Veterans Fund	2	—	3,660	3,662	1	—	3,450	3,451
Indemnity—Veterans Fund	114	271,325	909,325	1,180,764	116	589,099	714,261	1,303,476
Veterans Farm and Home Building Fund of 1943	2	—	3,801	3,803	1	—	4,317	4,318
Vincent Thomas Bridge Toll Revenue Fund	—	—	—	—	—	—	—	—
Working Capital and Revolving Funds								
Agriculture Building Fund	\$2	\$446	—	\$448	\$1	\$573	—	\$574
Architecture Revolving Fund	91,232	—	—	91,232	150,384	—	—	150,384
California Fairs Insurance Fund	—	—	—	—	2	—	41	43
Armory Fund	—	—	—	—	2	—	643	645

¹ Only includes funds with balances.

* Dollars in thousands

STATEMENT OF CASH AND SECURITIES OF ALL FUNDS IN THE TREASURY —Continued

Fund	June 30, 1987			June 30, 1988		
	Cash *	Securities *	Due from Investment Fund *	Cash *	Securities *	Due from Surplus Money Investment Fund *
Ballot Paper Revolving Fund.....	347	—	—	341	—	—
Community College District Organization Revolving Fund.....	200	—	—	200	—	—
County Formation Revolving Fund.....	85	—	—	—	—	—
General Obligation Bond Expense Revolving Fund.....	73	—	—	75	—	—
Health and Welfare Agency Data Center Revolving Fund.....	5,152	—	—	—	—	8,524
Rural Predevelopment Loan Fund.....	1	—	1,750	2	—	1,074
Mobilehome Manufactured Home Revolving Fund.....	1	—	443	1	—	958
Old Age and Survivors Insurance Revolving Fund.....	13,962	—	—	13,648	—	—
Public Building Construction Fund.....	56	\$312,087	469,042	33	284,816	314,977
Public School District Organization Revolving Fund.....	227	—	—	254	—	—
Revolving Loan Fund.....	3	—	—	5	—	—
Rehabilitation Revolving Loan Guarantee Fund.....	2	—	302	2	—	325
Service Revolving Fund.....	24,847	—	—	18,068	—	—
Supported Employment Revenue Loan Guarantee Account.....	1	—	215	1	—	226
State Clean Water Grants Administration Revolving Fund.....	254	—	—	254	—	—
Passenger Equipment Acquisition Fund.....	2	—	9,390	2	—	1,813
State Payroll Revolving Fund.....	540,400	—	—	597,616	—	—
Prison Industries Revolving Fund.....	1	—	959	2	—	5,227
State Water Quality Control Fund.....	10,577	—	—	1	—	10,292
Surplus Property Revolving Fund.....	—	—	—	—	—	—
Surplus Money Investment Fund.....	7,947,397	—	—	6,991,510	—	—
Immate Construction Revolving Account.....	17,417	—	—	17,785	—	—
Stephen P. Teale CDC Revolving Fund.....	1	—	5,730	2	—	5,388
New Industries Revolving Account.....	2	—	3,416	1	—	2,789
Donated Food Revolving Fund.....	1	—	7,154	1	—	4,909
Surplus Personal Property Revolving Fund.....	13	—	—	8	—	—
Water Resources Revolving Fund.....	50	—	7,060	51	—	10,212
Water Resources Control Board Revolving Fund.....	94	—	—	107	—	—
Consumer Affairs Fund.....	100	—	11,640	609	—	84,287
Bond Funds						
California Safe Drinking Water Fund.....	32,128	—	—	16,666	—	—
Hazardous Substance Cleanup Fund.....	2	—	39,848	2	—	21,166
1986 County Correctional Facilities Capital Expenditure Fund.....	—	—	—	42,966	—	—
Community Parklands Fund.....	—	—	—	20,663	—	—
California School Finance Authority Fund.....	—	—	—	2	—	47
Health Science Facilities Construction Program Fund.....	—	—	—	—	—	1,834
Lake Tahoe Acquisition Fund.....	1	—	1,705	2	—	—
Parklands Fund of 1980.....	15,791	—	—	6,159	—	—
Parklands Fund of 1984.....	7,751	—	—	15,109	—	—
New Prison Construction Fund.....	3,622	—	—	28,678	—	—
1984 Prison Construction Fund.....	63,495	—	—	28,125	—	—
County Jail Capital Expenditure Fund.....	91,035	—	—	31,324	—	—
1984 County Jail Capital Expenditure Fund.....	1	—	22,758	14,945	—	23,130
Recreation & Fish & Wildlife Enhancement Fund.....	2	—	7,159	19,413	—	5,075
Senior Center Bond Act Fund.....	2,787	—	—	2,399	—	—
State Coastal Conservancy Fund of 1984.....	37,711	—	—	22,807	—	—
California Alternative Energy Authority Fund.....	271	—	—	4,123	—	—
State Beach, Park, Recreational and Historical Facilities Fund.....	367	—	—	323	—	—
State Beach, Park, Recreational and Historical Facilities Fund of 1974.....	405	—	—	339	—	—
State Clean Water Fund.....	7,147	—	—	5,482	—	—
State Clean Water Fund.....	6,581	—	—	11,657	—	—
State Construction Program Fund.....	1,381	—	—	1,079	—	—
State Clean Water and Water Conservation Fund.....	11,169	—	—	23,696	—	—
State School Building Aid Fund.....	33,652	—	—	69,194	—	—
State Clean Water Bond Fund of 1984.....	16,693	—	—	38,450	—	—
State, Urban, and Coastal Park Fund.....	10,022	—	—	11,716	—	—
State School Building Lease-Purchase Fund.....	30,236	—	—	102,097	—	—
Water Conservation, Water Quality Bond Fund of 1986.....	—	—	—	50,978	—	—
1986 Prison Construction Fund.....	—	—	—	97,243	—	—
Fish and Wildlife Habitat Enhancement.....	4,284	—	—	16,348	—	—
New Prison Construction Revenue Fund.....	1	—	20,077	2	—	—
Higher Education Capital Outlay Bond Fund.....	—	—	—	160,269	—	21,670
Totals *	347	—	—	341	—	—
	200	—	—	200	—	—
	85	—	—	—	—	—
	73	—	—	75	—	—
	5,152	—	—	—	—	8,524
	1	—	1,750	2	—	1,074
	1	—	443	1	—	958
	13,962	—	—	13,648	—	—
	56	\$312,087	469,042	33	284,816	314,977
	227	—	—	254	—	—
	3	—	—	5	—	—
	2	—	302	2	—	325
	24,847	—	—	18,068	—	—
	1	—	215	1	—	226
	254	—	—	254	—	—
	2	—	9,390	2	—	1,813
	540,400	—	—	597,616	—	—
	1	—	959	2	—	5,227
	10,577	—	—	1	—	10,292
	7,947,397	—	—	6,991,510	—	—
	17,417	—	—	17,785	—	—
	1	—	5,730	2	—	5,388
	2	—	3,416	1	—	2,789
	1	—	7,154	1	—	4,909
	13	—	—	8	—	—
	50	—	7,060	51	—	10,212
	94	—	—	107	—	—
	100	—	11,640	609	—	84,287
	32,128	—	—	16,666	—	—
	2	—	39,848	2	—	21,166
	—	—	—	42,966	—	—
	—	—	—	20,663	—	—
	—	—	—	2	—	47
	—	—	—	—	—	1,834
	1	—	1,705	2	—	—
	15,791	—	—	6,159	—	—
	7,751	—	—	15,109	—	—
	3,622	—	—	28,678	—	—
	63,495	—	—	28,125	—	—
	91,035	—	—	31,324	—	—
	1	—	22,758	14,945	—	23,130
	2	—	7,159	19,413	—	5,075
	2,787	—	—	2,399	—	—
	37,711	—	—	22,807	—	—
	271	—	—	4,123	—	—
	367	—	—	323	—	—
	405	—	—	339	—	—
	7,147	—	—	5,482	—	—
	6,581	—	—	11,657	—	—
	1,381	—	—	1,079	—	—
	11,169	—	—	23,696	—	—
	33,652	—	—	69,194	—	—
	16,693	—	—	38,450	—	—
	10,022	—	—	11,716	—	—
	30,236	—	—	102,097	—	—
	—	—	—	50,978	—	—
	—	—	—	97,243	—	—
	4,284	—	—	16,348	—	—
	1	—	20,077	2	—	—
	—	—	—	160,269	—	21,670

* Dollars in thousands

Schedule 11

STATEMENT OF CASH AND SECURITIES OF ALL FUNDS IN THE TREASURY — Continued

Fund	June 30, 1986				June 30, 1987			
	Cash *	Securities *	Due from Surplus Money Investment Fund *	Totals *	Cash *	Securities *	Due from Surplus Money Investment Fund *	Totals *
Retirement Funds								
Judges' Retirement Fund.....	866	673	—	1,539	14	1,807	—	1,821
Legislators' Retirement Fund.....	718	45,707	—	46,425	419	53,619	—	54,038
Flexicorp Benefit Fund.....	—	—	—	—	2	—	137	139
Public Employees' Retirement Fund.....	2	32,520,742	251,845	32,772,589	2	38,851,221	151,451	39,002,674
Teachers' Retirement Fund.....	60	18,818,908	1,044,072	19,863,040	60	22,007,601	362,157	22,369,818
Trust and Agency Funds—Federal								
Public Health Federal Fund.....	1,540	—	—	1,540	5,158	—	—	5,158
State Child Care Facilities Fund.....	36,500	—	—	36,500	35,435	—	—	35,435
State Child Care Capital Outlay Fund.....	7,250	—	—	7,250	7,071	—	—	7,071
Lake Tahoe Assistance Fund.....	3,757	—	—	3,757	3,744	—	—	3,744
Consolidated Work Program Fund.....	711	—	—	711	592	—	—	592
Unemployment Administration Fund.....	4,219	—	—	4,219	2,215	—	—	2,215
Unemployment Fund.....	24	—	—	24	1,091	—	—	1,091
Vocational Education Federal Fund.....	22	—	—	22	—	—	—	—
Vocational Rehabilitation Federal Fund.....	2,402	—	—	2,402	—	—	—	—
Federal Trust Fund.....	150,176	—	—	150,176	140,736	—	—	140,736
Offshore Energy Assistance Fund.....	7,064	—	—	7,064	2,641	—	—	2,641
Local Coastal Program Improvement Fund.....	10,500	—	—	10,500	8,910	—	—	8,910
Trust and Agency Funds—Other								
U.S. Olympic Committee Fund.....	221	—	—	221	296	—	—	296
California Small Business Development Center Fund.....	36	—	—	36	—	—	—	—
State Children's Trust Fund.....	1	—	7,602	7,603	1	—	3,784	3,785
Computer Software Refund Fund.....	3	—	—	3	3	—	—	3
Export Finance Fund.....	—	—	—	—	2	—	—	2
County Health Facilities Financing Assistance Fund.....	—	—	—	—	2	—	—	2
Displaced Homemaker Emergency Loan Fund.....	—	—	—	—	14	—	—	14
Reader Employment Fund.....	—	—	—	—	—	—	—	—
Self-Help Housing Fund.....	1	—	2,648	2,649	2	—	3,616	3,618
Audit Repayment Trust Fund.....	121	—	—	121	397	—	—	397
Hazardous Substance Cleanup Financing Fund.....	—	—	—	—	47	—	—	47
California Alzheimer's Disease.....	—	—	—	—	443	—	—	443
California Export Promotion Account.....	—	—	—	—	7	—	—	7
Superfund Bond Trust Fund.....	1	—	8,967	8,968	2	—	—	2
Hazardous Waste Reduction Loan Guarantee Account.....	—	—	—	—	2,862	—	13,948	13,950
Milk Producers Security Trust Fund.....	—	—	—	—	1	—	—	1
California Maritime Academy Trust Fund.....	40	—	—	40	19	—	2,446	2,465
California State Lottery Education Fund.....	2	—	22,237	22,239	—	—	—	—
California State University Lottery Education Fund.....	—	—	—	—	1	—	204	205
California Housing Trust Fund.....	—	—	—	—	1	—	19,890	19,891
Farm Labor Housing Rehabilitation Loan Fund.....	—	—	—	—	1	—	2,855	2,856
California Motorcyclist Safety Fund.....	2	—	1,966	1,968	1	—	1,521	1,522
Mental Health Primary Prevention Fund.....	1,772	—	—	1,772	2,449	—	2,483	2,484
Petroleum Violation Escrow Account.....	—	—	—	—	8	—	—	8
County Medical Services Program.....	2	—	18,669	18,671	1	—	212,236	212,244
County Health Account.....	2	—	3,337	3,339	2	—	20,825	20,826
Local Health Capital Expenditure Account.....	2	—	4,267	4,269	2	—	3,941	3,943
Medically Indigent Services Account.....	2	—	5,552	5,554	1	—	3,171	3,172
California Health Facilities Authority Fund.....	2	—	4,918	4,920	1	—	1,805	1,806
California Election Campaign Fund.....	—	—	—	—	2	—	9,161	9,162
California Public Broadcasting Fund.....	126	—	—	126	186	—	—	186
School Employees Fund.....	11	—	27,533	27,544	126	—	—	126
Community College Instructional Improvement Fund.....	865	—	—	865	939	—	35,394	35,405
Condemnation Deposits Fund.....	1	—	86,596	86,597	2	—	—	2
Educational Facilities Authority Fund.....	2	—	1,396	1,398	1	—	99,119	99,121
Industrial Relations Unpaid Wage Fund.....	200	—	—	200	201	—	1,488	1,489
Bay Fill Clean-Up and Abatement Fund.....	1	—	11	12	—	—	—	—
Deferred Compensation Plan Fund.....	2	768,956	—	769,105	1	—	12	13
Housing Insurance Fund.....	1	—	147	148	1	—	172	173
Inmates Welfare Fund.....	5	—	10,865	10,866	1	—	11,312	11,313
Small Business Expansion Fund.....	2	—	5,721	5,722	6	—	4,837	4,838
Litigation Deposit Fund.....	1	—	182	184	1	—	262	263
California Economic Development Grant and Loan Fund.....	1	—	12,225	12,226	1	—	11,600	11,601
	46	—	3,900	3,901	23	—	6,940	6,941
				46				23

* Dollars in thousands

Schedule 11

STATEMENT OF CASH AND SECURITIES OF ALL FUNDS IN THE TREASURY —Continued

	June 30, 1986		June 30, 1987	
	Due from Surplus Money Investment Fund *		Due from Surplus Money Investment Fund *	
Fund	Cash *	Securities *	Cash *	Securities *
Local Agency Investment Fund.....	4,894,004	—	4,969,309	—
Farmlworker Housing Grant Fund.....	3,435	—	3,112	—
Forest Resources Improvement Fund.....	2	6,594	2	6,303
Housing Rehabilitation Loan Fund.....	2	6,598	2	22,870
Pollution Control Financing Authority Fund.....	21	15,561	21	16,592
Local Agency Indebtedness Fund.....	1,862	—	1,860	—
Homeownership Assistance Fund.....	2	3,010	2	2,432
Rental Housing Construction Incentive Fund.....	2	41,353	3	39,395
Nutrition Reserve Fund.....	1,089	—	757	—
Renewable Resources Investment Fund.....	6,821	—	2,891	—
Santa Monica Mountains Conservancy Fund.....	604	—	83	83
Special Deposit Fund.....	43,068	19	60,470	19
Land Bank Fund.....	1	1,814	1	1,960
Student Security Trust Fund.....	2	11	2	14
California State University and Colleges Special Project Fund.....	11	3,583	10	3,852
California State University and Colleges Trust Fund.....	11	27,346	10	31,140
State Employees Contingency Reserve Fund.....	8	1,011	7,183	1,385
State Guaranteed Loan Reserve Fund.....	21	137,272	21	113,245
State Park Contingent Fund.....	390	100	500	100
Student Loan Authority Fund.....	2	4,467	1	4,771
State Instructional Materials Fund.....	26,749	—	30,821	—
State School Site Utilization Fund.....	5,221	—	7,268	—
Foster Parent Training Fund.....	481	—	1,106	—
Student Tuition Recovery Fund.....	1	1,277	2	1,552
State School Deferred Maintenance Fund.....	3	—	—	—
Volunteer Firefighters Length of Service Award Fund.....	6	—	—	—
Teacher Tax Shelter Annuity Fund.....	1,697	—	—	—
Mediterranean Fruit Fly Claim.....	3,535	—	—	—
Timber Tax Fund.....	1	349	—	—
Unclaimed Property Fund.....	40,333	335	3,535	—
Mobilehome Recovery Fund.....	2	1,230	28,073	425
Asbestos Abatement Fund.....	22,005	—	13,717	1,362
Child Care Fund.....	765	—	665	—
Urban Redevelopment Loan Fund.....	1	3,797	—	—
California State World Trade Commission Fund.....	96	—	103	3,759
California Urban Waterfront Area Resource Financing Authority.....	2	17	—	—
California Seniors Fund.....	2	537	1	126
Rural Community Facility Grant.....	50	—	385	488
Emergency Housing and Assistance Fund.....	1	—	2	385
TOTALS, NONGOVERNMENTAL COST FUNDS.....	\$14,325,844	\$55,795,971	\$13,996,218	\$66,756,912
				\$5,277,573
				\$86,030,703
GOVERNMENTAL COST FUNDS				
General Fund.....	529,383	—	—	—
Transportation Funds.....	1,239	—	1,270	—
General Fund Special Accounts.....	2,030,537	2,146	379,223	2,149
				\$1,163,909
				\$415,054
OTHER BALANCES				
Agency Bank Accounts.....	505,413	—	292,614	—
Uncleared Collections.....	9,864	—	1,329	—
Outstanding Warrants.....	541,380	—	553,161	—
Fiscal Agents.....	2,882,984	—	2,241,390	—
Pooled Money Investment Account.....	—17,591,687	17,591,687	—13,732,368	13,732,368
Time Deposits in Banks.....	—686,900	686,900	—437,100	437,100
TOTALS.....	\$2,548,057	\$74,076,704	\$3,295,737	\$80,928,529
				\$6,856,536
				\$91,080,802

* Only includes funds with balances.

* Dollars in thousands

Schedule 12

**COMPARATIVE STATEMENT OF EXPENDITURES BY THE BUDGET ACT AND EXPENDITURES REQUIRED BY THE CONSTITUTION
OR OTHER STATUTES FOR THE FISCAL YEARS 1987-88, 1988-89, AND 1989-90**
(In thousands of dollars)

Purpose and Legal Citation AUTHORIZED BY CONSTITUTION	Actual 1987-88		Estimated 1988-89		Estimated 1989-90	
	General Fund	Total	General Fund	Special funds	General Fund	Special funds
STATE OPERATIONS						
BUSINESS, TRANSPORTATION, AND HOUSING						
Statewide Distributed Costs						
General Obligation Bonds						
General Obligation Bonds (BT&H)	-355	-355	744	-	744	-
RESOURCES						
General Obligation Bonds						
General Obligation Bonds (Resources)	205,585	205,585	196,079	-	190,790	-
HEALTH AND WELFARE						
General Obligation Bonds						
General Obligation Bonds (H&W)	5,867	5,867	5,604	-	5,351	-
YOUTH AND ADULT CORRECTIONAL AGENCY						
General Obligation Bonds						
General Obligation Bonds (YACA)	129,966	129,966	153,718	-	196,188	-
EDUCATION						
K thru 12 Education						
General Obligation Bonds						
General Obligation Bonds (Educ-K-12) ..	93,797	93,797	90,144	-	127,920	-
Higher Education - Community Colleges						
General Obligation Bonds						
General Obligation Bonds						
(Higher Education-Community Colleges)	15,044	15,044	15,990	-	20,585	-
Higher Education - Uc, CSU and Other						
General Obligation Bonds						
General Obligation Bonds						
(Higher Education-Other)	21,401	21,401	26,985	-	36,258	-
GENERAL GOVERNMENT						
Debt Service						
Bond Interest and Redemption						
Bond Interest and Redemption	511,960	511,960	524,194	-	609,773	-
Less Amounts Shown In Agency Totals ...	-511,960	-511,960	-524,194	-	-609,773	-
Statewide Distributed Costs						
General Obligation Bonds						
General Obligation Bonds						
(General Government)	40,655	40,655	34,930	-	31,937	-
LOCAL ASSISTANCE						
LEGISLATIVE, JUDICIAL, AND EXECUTIVE						
Judicial						
Salaries of Trial Court Judges						
Article 3, Section 4 of the State						
Constitution	263	263	30	-	-	-
TOTALS, CONSTITUTIONAL REQUIREMENT ...	512,223	512,223	524,224	-	609,773	-

Schedule 12

**COMPARATIVE STATEMENT OF EXPENDITURES BY THE BUDGET ACT AND EXPENDITURES REQUIRED BY THE CONSTITUTION
OR OTHER STATUTES FOR THE FISCAL YEARS 1987-88, 1988-89, AND 1989-90—Continued**

(In thousands of dollars)

Purpose and Legal Citation AUTHORIZED BY STATUTES	Actual 1987-88		Estimated 1988-89		Estimated 1989-90	
	General Fund	Total	General Fund	Special funds	General Fund	Special funds
STATE OPERATIONS						
LEGISLATIVE, JUDICIAL, AND EXECUTIVE						
Legislative						
Legislature						
Senate						
Government Code Section 9129	-	61,555	-	63,844	-	68,291
Less Transfer From General Fund	-	-62,596	-	-63,844	-	-68,291
Assembly						
Government Code Section 9129	-	93,552	-	96,384	-	103,424
Less Transfer From General Fund	-	-93,214	-	-96,384	-	-103,424
Contributions to Legislator Retire Fund						
Government Code Section 20751	113	113	137	-	151	-
Government Code Section 9358	902	902	978	-	1,074	-
Office of the Auditor General						
Government Code Section 10507	-	9,130	-	10,184	-	10,335
Less Transfer From General Fund	-	-9,130	-	-10,184	-	-10,335
Judicial						
Contributions to Judges Retirement Fund						
Government Code Section 75101	695	695	745	-	801	-
Executive/Governor						
Office of Emergency Services						
Government Code Sec 8690.2, 8690.4 & 8690.5	-	4	-	-	-	-
STATE AND CONSUMER SERVICES						
Department of Consumer Affairs						
Board of Accountancy						
Business & Professions Code Article 10, Div 3, As Amended By Chapter 218/85	-	60	-	65	-	-
Certified Shorthand Reporters Board						
Business & Professions Code Sec 8030.2	-	254	-	303	-	303
Franchise Tax Board						
Military & Veterans Code Section 1306 (Chapter 1193/87)	-	10	-	26	-	27
Revenue and Tax Code Sec 18839 (Ch 613/87, Repealed Jan 1, 1992)	-	-	-	5,229	-	5,303
Total Dept of General Services	-	6,767	-	8,424	-	9,205
Government Code Section 16379	-	-	-	-	-	-
BUSINESS, TRANSPORTATION, AND HOUSING						
Business						
Department of Commerce						
Government Code Section 15373.2(E)	-	61	-	22	-	23
Dept of Housing & Community Development						
Health and Safety Code Section 50533.5 (Chapter 1630/84)	16	16	-	-	-	-
RESOURCES						
St Assist Fd Energy Ca Bus Industry Dev						
Loan Repayment Per Financial Code Sec 32820-32823	-	-104	-	-117	-	-124
Energy Resources Conservation & Dev Com						
Public Resources Code Section 25402.1	-	-	-	300	-	300

COMPARATIVE STATEMENT OF EXPENDITURES BY THE BUDGET ACT AND EXPENDITURES REQUIRED BY THE CONSTITUTION OR OTHER STATUTES FOR THE FISCAL YEARS 1987-88, 1988-89, AND 1989-90—Continued

(In thousands of dollars)

Appendix 50

Schedule 12

**COMPARATIVE STATEMENT OF EXPENDITURES BY THE BUDGET ACT AND EXPENDITURES REQUIRED BY THE CONSTITUTION
OR OTHER STATUTES FOR THE FISCAL YEARS 1987-88, 1988-89, AND 1989-90—Continued**

(In thousands of dollars)

Purpose and Legal Citation	Actual 1987-88			Estimated 1988-89			Estimated 1989-90		
	General Fund	Special funds	Total	General Fund	Special funds	Total	General Fund	Special funds	Total
GENERAL GOVERNMENT									
General Administration									
Comm on Peace Officer Standards & Train	-	1	1	-	-	-	-	-	-
Interest Expense on General Fund Loan ..	-	272	272	-	229	229	-	-	-
Penal Code Section 15004	-	-	-	-	-	-	-	-	-
California Exposition and Fairs									
Business & Professions Code									
Section 19622 (A)	-	265	265	-	265	265	-	265	265
Total Dept of Food and Agriculture									
Food & Agriculture Code Section 221	-	37,330	37,330	-	41,134	41,134	-	42,813	42,813
Food & Agricultural Code Section 226									
(Ch 1346/86 Annual \$100,000 approp)	-	21	21	-	100	100	-	100	100
Food & Agriculture Code Sec 505 (Loan									
Repayments From Ethanol Fuel Loans) ...	-	-73	-73	-	-33	-33	-	-33	-33
Food and Agriculture Code Section 58582									
(Ch 932/86)	-	8	8	-	15	15	-	15	15
Fair Political Practices Commission									
Government Code Section 83122	2,854	-	2,854	2,731	-	2,731	2,852	-	2,852
Board of Control									
Government Code Section 13967	-	32,102	32,102	-	45,809	45,809	-	52,000	52,000
Government Code Section 13974.1									
(Chapter 249/86)	-	-	-	-	1	1	-	2	2
Debt Service									
Payment of Interest on Pmia Loans									
Government Code Sec 16312 (Chapter 6/87)	78,494	-	78,494	44,000	-	44,000	16,000	-	16,000
Less Amounts Shown In Agency Totals ...	-78,494	-	-78,494	-44,000	-	-44,000	-16,000	-	-16,000
Payment of Interest on Gen Fund Loans									
Government Code Sections 17300-17313 ...	85,006	-	85,006	187,209	-	187,209	177,909	-	177,909
Statewide Expenditures and Savings									
Statewide Gen. Adm Exp (Pro Rata)	-	161	161	-	84	84	-	40	40
Government Code Sec 13332.03	-	-	-	-	-	-	-	-	-
Covt Code Sec 11270-11275 & 22828.5									
General Fund Credits From Special Funds									
.....	-103,859	-	-103,859	-112,505	-	-112,505	-120,439	-	-120,439
General Fund Credits From Federal Funds									
Government Code Sec 13332.02	-21,418	-	-21,418	-23,680	-	-23,680	-27,544	-	-27,544
General Fund Credits From Federal Funds									
.....	-21,418	-	-21,418	-23,680	-	-23,680	-27,544	-	-27,544
LOCAL ASSISTANCE									
LEGISLATIVE, JUDICIAL, AND EXECUTIVE									
Judicial									
Contributions to Judges Retirement Fund									
Government Code Section 75101	8,271	-	8,271	8,789	-	8,789	9,802	-	9,802
Executive/Governor									
Office of Emergency Services									
Less transfer from General Fund	-	-225	-225	-	-	-	-	-	-
Government Code Section 8589.16									
(Chapter 1332, Statutes of 1987)	-	10	10	-	-	-	-	-	-
Government Code Sections 8690.2,									
8690.4 & 8690.5	-	1,305	1,305	-	5,016	5,016	-	5,016	5,016
Statewide Distributed Costs									
State Mandated Local Costs									

(In thousands of dollars)

Purpose and Legal Citation	Actual 1987-88		Estimated 1988-89		Estimated 1989-90	
	General Fund	Special funds	Total	General Fund	Special funds	Total
State-Mandated Local Costs (L/I/E) (Continuous Appropriations)	-	-	-	-	-	-
STATE AND CONSUMER SERVICES						
State Mandated Local Costs						
Less transfer from General Fund	-	-41	-41	-	-	-
BUSINESS, TRANSPORTATION, AND HOUSING						
Business						
Department of Commerce						
Less Transfer from the General Fund	-	-	-	-	-6,580	-6,580
Ce Sec 15373.2(e) (Ch 1147/86)						
Reverts to Sufco July 1, 1991	-	-	-	16,700	10,300	10,300
Government Code Section 15379.11(d) (Ch 1318/88)	-	-	-	-	6,580	6,580
Transportation						
Dept of Transportation						
Less Transfer From General Fund	-	-540	-540	-	-	-
Public Utilities Code Sec 21602 (As Amended By Ch 901/86)	-	540	540	-	-	-
Public Utilities Code Section 21680 (Airport Acquisition/Development)	-	1,476	1,476	-	1,360	1,360
(Cities, Counties, Airport Districts)	-	960	960	-	950	950
RESOURCES						
Energy Resources Conservation & Dev Com						
Public Resources Code Sec 3822 (Transfer						
From Geothermal Resources Devel Ac-	-	2,282	2,282	-	-	-
count)						
Department of Water Resources						
Loan Repayments from Local Agencies						
(Water Code Sections 12937b & 12938) ...	-	-178	-178	-	-187	-187
HEALTH AND WELFARE						
State Mandated Local Costs						
Less Transfer from the General Fund						
State Mandated Local Costs (H&W)	-	-	-	-500	-	-
State-Mandated Local Costs (H&W) (Continuous Appropriation)	-	-	-	500	-	-
EDUCATION						
K thru 12 Education						
Department of Education						
Education Code Sec 14035	-	55	55	-	-	-
Education Code Section 14002	-	10,902,608	10,902,608	-	-	-
Less Transfer From General Fund	-	-10,840,498	-10,840,498	-	-	-
Dept of Education—Headquarters						
Education Code Section 14002	-	-	-	11,637,188	12,256,344	12,256,344
Less Transfer From General Fund	-	-	-	-11,573,272	-12,215,218	-12,215,218
Contributions to Teachers Retire Fund						
Education Code Section 23401	241,882	-	241,882	253,976	-	253,976
Education Code Section 23402	140,000	-	140,000	160,000	-	160,000
School Facilities Aid Program						
Education Code Section 16080 (Abatement to General Fund)	-	1,908	1,908	-	1,908	1,908
Education Code Section 17696						

Schedule 12

**COMPARATIVE STATEMENT OF EXPENDITURES BY THE BUDGET ACT AND EXPENDITURES REQUIRED BY THE CONSTITUTION
OR OTHER STATUTES FOR THE FISCAL YEARS 1987-88, 1988-89, AND 1989-90—Continued**

(In thousands of dollars)

Purpose and Legal Citation	Actual 1987-88		Estimated 1988-89		Estimated 1989-90	
	General Fund	Total	General Fund	Total	General Fund	Total
(Bond Proceeds Account)	-	591,526	-	591,526	-	591,526
Education Code Section 17735	-	98,700	-	98,700	-	98,700
(Tidelands Oil Revenue)	-	63,921	-	63,921	-	63,921
Education Code Section 17780 (Transfer To School Deferred Maintenance Fund) ..	63,921	-	53,096	-	56,319	-
Education Code Sections 15903, 16403, 16904, 16904, 17006, et al	-65,829	-65,829	-55,004	-55,004	-58,227	-58,227
Education Code Sections 19700.745 and 19700.746—Repayment on Loans to Schools	-	-1,281	-	-1,328	-	-1,361
Higher Education — Community Colleges Bd of Governors of Calif Comm Colleges Less Transfer From General Fund	-	-1,219,611	-	-1,316,432	-	-1,413,191
Article 9, Sec 6, Education Code Part 50 Chapter 45 and Chapter 32376	-	1,219,611	-	1,316,432	-	1,413,191
Education Code Section 12320 (Federal Oil & Mineral Revenue)	-	2,120	-	2,120	-	2,120
GENERAL GOVERNMENT						
General Administration	-	-	-	-	-	-
Total Dept of Food and Agriculture	-	4,450	-	4,450	-	4,700
Food and Agriculture Code Sec 224(C) ... Business & Professions Code	-	-	-	-	-	225
Section 19627.2	-	-	-	-	-	250
Business & Professions Code Sec 19622(b) (L.a. County Fair)	-	250	-	250	-	250
Business & Professions Code Sec 19622(c) (District I-A Agricultural Assoc)	-	250	-	250	-	250
Business & Professions Code Sec 19626 (Citrus Fruit Fairs)	-	150	-	150	-	150
Business & Professions Code Sec 19627 (District Agricult Assoc & County Fair) ... Business & Professions Code Section	-	6,295	-	6,800	-	6,460
19596.5(c)	-	-	-	16,900	-	15,400
19627.2 (Judging & Exhibits)	-	-	-	280	-	-
Business and Professions Code	-	-	-	-	-	-
Section 12539	-	42	-	45	-	45
Section 19627.3	-	2,243	-	954	-	2,250
Section 19630	-	8,311	-	-	-	-
Business and Professions Code Sec. 19627.2 (Judging & Exhibits)	-	447	-	-	-	-
Food & Agriculture Code Section 29032 (Chapter 1404, Statutes of 1987)	-	-	-	61	-	61
Food and Agriculture Code Section 19596.5(c)	-	4,546	-	-	-	-
224(C)	-	-	-	4,451	-	-
Food and Agriculture Code Section 12844 (Pesticide Mill Tax)	-	4,876	-	4,633	-	4,633
Commission on State Mandates	-	-	-	-	-	-
Government Code Section 17614	-	-	-	612	-	-
Less amount shown in agency totals	-	-	-	-612	-	-
Less Amount Shown in Agency Totals	-	-	-	500	-	-
Less Transfer From General Fund	-	-	-	-500	-	-
Less Transfer From General Fund	-	-741	-	-	-	-
Less amount shown in agency totals	-	-	-	-	-	-

Appendix 54

(In thousands of dollars)

Purpose and Legal Citation	Actual 1987-88 Special funds	Total	General Fund	Estimated 1988-89 Special funds	Total	General Fund	Estimated 1989-90 Special funds	Total
(Less transfer from General Fund)								
Local Government Aid		741	-	-	-	-	-	-
Local Government Financing								
Government Code Sec 16111 (A)	56,757	56,757	43,000	-	43,000	43,000	-	43,000
Government Code Sec 8690.6	-	-	2,700	-	2,700	-	-	-
Shared Revenues								
Apportionment Hwy Prop Rental Receipts								
Streets & Highways Code Sections 104.6 & 104.10	-	3,111	-	4,000	4,000	-	4,000	4,000
Apportionment Off Highway License Fees								
Vehicle Code Sections 38230 & 38240	-	782	-	933	933	-	933	933
Apportionment of Trailer Coach Fees								
Health & Safety Code Section 18078	-	15,900	-	15,100	15,100	-	14,400	14,400
Apportionment Motor Vehicle License Fee								
Revenue & Taxation Code Section 11005 ..	-	1,768,158	-	1,917,672	1,917,672	-	2,050,839	2,050,839
Apportionment Cigarette Tax								
Revenue & Taxation Code Section 30462 ..	-	73,418	-	71,356	71,356	-	69,296	69,296
Apportionment Tideland Revenues								
Public Resources Code Section 6817	352	352	300	-	300	300	-	300
Apportionment for County Roads								
Streets & Highways Code Section 2104	-	275,208	-	279,536	279,536	-	296,374	296,374
Apportionment for City Streets								
Streets & Highways Code Sections 2107 & 2107.5	-	198,779	-	204,496	204,496	-	207,579	207,579
Apportionment County Road & City Street								
Streets & Highways Code Section 2106	-	125,302	-	127,481	127,481	-	129,640	129,640
Apportionment of Coothermal Res Develop								
Public Resources Code Section 3821	-	2,653	-	2,667	2,667	-	2,880	2,880
Statewide Expenditures and Savings								
Universal Telephone Service Program								
Revenue & Taxation Code Section 4418	-	68,103	-	-	-	-	-	-
CAPITAL OUTLAY								
GENERAL GOVERNMENT								
Statewide Expenditures and Savings								
Unallocated Capital Outlay								
Allocation Per Gov Code Sec 16409 and								
Reversions Per Gov Code Sec 16408	-	-	-	-	-	195	-	195
UNCLASSIFIED								
RESOURCES								
Dept of Boating & Waterways								
Revenue & Taxation Code Sec 8352(C)								
(Transfer From Motor Vehicle Account) ..	-	13,962	-	14,000	14,000	-	14,000	14,000
TOTALS, STATUTORY AUTHORIZATIONS	503,164	3,498,512	566,472	3,978,884	4,545,356	551,408	3,676,825	4,228,233
TOTAL AUTHORIZED BY CONSTITUTION AND								
STATUTE	1,015,387	3,498,512	1,080,696	3,978,884	5,069,580	1,161,181	3,676,825	4,838,006
TOTAL BUDGET ACT AND OTHER AUTHORIZA-								
TIONS	32,005,435	3,115,203	34,831,689	3,556,210	38,387,899	36,848,864	4,415,768	41,264,632
TOTALS, ALL AUTHORIZATIONS	33,020,822	6,613,715	35,922,385	7,535,094	43,457,479	38,010,045	8,092,593	46,102,638

STATEMENT OF BONDED DEBT OF THE STATE OF CALIFORNIA AS OF DECEMBER 31, 1987
GENERAL OBLIGATION BONDS

(This statement does not include bonds issued under authority of State instrumentalities
that are not general obligations of the State of California)

(Dollars in thousands)

<i>Name of issue</i>	<i>Maturity</i>	<i>Authorized *</i>	<i>Unsold *</i>	<i>Redemptions</i>	<i>Outstanding *</i>
GENERAL FUND BONDS					
Clean Water Bond Law of 1970.....	1972-1997	\$250,000	\$10,000	\$172,000	\$68,000
Clean Water Bond Law of 1974.....	1978-2000	250,000	20,000	110,550	119,450
Clean Water Bond Law of 1984.....	1986-2009	325,000	280,000	3,750	41,250
Clean Water and Water Conservation Bond Law of 1978.....	1981-2006	375,000	45,000	104,600	225,400
California Earthquake Safety and Housing Rehabilitation Bond Act of 1988.....	-	150,000	150,000	-	-
California Library Construction and Renovation Bond Act of 1988.....	-	75,000	75,000	-	-
California Park and Recreation Facilities Act of 1984.....	1985-2009	370,000	260,000	13,000	97,000
California Parklands Bond Act of 1980.....	1982-2006	285,000	45,000	79,055	160,945
California Safe Drinking Water Bond Law of 1976.....	1981-2012	175,000	15,000	32,265	127,735
California Safe Drinking Water Bond Law of 1984.....	1986-2005	75,000	55,000	3,000	17,000
California Safe Drinking Water Bond Law of 1986.....	-	100,000	100,000	-	-
California Safe Drinking Water Bond Law of 1988.....	-	75,000	75,000	-	-
California Wildlife, Coastal, and Park Land Conservation Bond Act of 1988.....	-	776,000	776,000	-	-
Clean Water and Water Reclamation Bond Law of 1988.....	-	65,000	65,000	-	-
Community College Construction Bond Act of 1972.....	1974-1997	160,000	-	107,250	52,750
Community Parklands Acts of 1986.....	-	100,000	100,000	-	-
County Correctional Facility Capital Expenditure Bond Act of 1986.....	1989-2009	495,000	465,000	-	30,000
County Correctional Facility Capital Expenditure and Youth Facility Bond Act of 1988.....	-	500,000	500,000	-	-
County Jail Capital Expenditure Bond Act of 1981.....	1984-2009	280,000	55,000	25,450	199,550
County Jail Capital Expenditure Bond Act of 1984.....	1986-2009	250,000	15,000	16,250	218,750
First-Time Homebuyers Bond Act of 1982.....	1988-1999	200,000	185,000	8,015	6,985
Fish and Wildlife Habitat Enhancement Act of 1984.....	1986-2005	85,000	55,000	4,500	25,500
Hazardous Substance Cleanup Bond Act of 1984.....	1986-2005	100,000	50,000	7,500	42,500
Health Science Facilities Bond Act of 1971.....	1974-1998	155,900	-	89,700	66,200
Higher Education Facilities Bond Act of 1986.....	1989-2009	400,000	290,000	-	110,000
Higher Education Facilities Bond Act of 1988.....	-	600,000	600,000	-	-
Housing and Homeless Bond Act of 1988.....	-	300,000	300,000	-	-
Junior College Construction Bond Act of 1968.....	-	65,000	-	57,600	7,400
Lake Tahoe Acquisitions Bond Act.....	1970-1991	85,000	-	3,500	26,500
New Prison Construction Bond Act of 1981.....	1986-2006	495,000	55,000	97,000	398,000
New Prison Construction Bond Act of 1984.....	1983-2006	300,000	-	42,500	257,500
New Prison Construction Bond Act of 1986.....	1985-2006	500,000	-	-	160,000
New Prison Construction Bond Act of 1988.....	1989-2009	817,000	340,000	-	-
Recreation and Fish and Wildlife Enhancement Bond Act of 1970.....	-	60,000	817,000	44,500	15,500
1988 School Facilities Bond Act (November).....	1972-1995	800,000	-	-	-
School Facilities Bond Act of 1988 (June).....	-	800,000	800,000	-	-
Senior Center Bond Act of 1984.....	1986-2006	50,000	-	5,250	44,750
State Beach, Park, Recreational and Historical Facilities.....	1967-2003	400,000	-	270,225	129,775
State Construction Program Bonds.....	1959-1994	1,050,000	-	958,950	91,050
State Higher Education Construction Program Bond Act of 1966.....	1968-1993	230,000	-	192,590	37,410
State School Building Lease-Purchase Bond Law of 1982.....	1985-2005	500,000	-	127,785	372,215
State School Building Lease-Purchase Bond Law of 1984.....	1987-2006	450,000	-	25,000	225,000
State School Building Lease-Purchase Bond Law of 1986.....	-	800,000	200,000	-	-
State, Urban and Coastal Park Bond Act of 1976.....	1978-2005	280,000	800,000	-	-
Water Conservation and Water Quality Bond Law of 1986.....	-	150,000	25,000	112,590	142,410
Water Conservation Bond Law of 1988.....	-	60,000	149,200	-	800
Totals, General Fund Bonds.....		\$14,863,900	\$8,632,200	\$2,714,375	\$3,517,325

STATEMENT OF BONDED DEBT OF THE STATE OF CALIFORNIA AS OF DECEMBER 31, 1987—Continued
GENERAL OBLIGATION BONDS

(This statement does not include bonds issued under authority of State Instrumentalities
that are not general obligations of the State of California)

<i>Name of issue</i>	<i>Maturity</i>	<i>Authorized *</i>	<i>Unsold *</i>	<i>Redemptions</i>	<i>Outstanding *</i>
PARTIALLY SELF-LIQUIDATING BONDS ¹					
State School Building Bonds	1955—2001	\$2,140,000	\$40,000	\$1,790,520	\$309,480
SELF-LIQUIDATING BONDS ²					
California Water Resources Development Bond Act of 1959	1973—2022	\$1,750,000	\$180,000	\$247,055	\$1,322,945
HARBOR BONDS					
San Francisco Harbor Improvement and India Basin Act of 1909	1941—1989	\$29,303	—	\$29,198	\$105
Harbor Development Bond Law of 1958 ³	1964—1998	60,000	—	49,850	10,150
Totals, Harbor Bonds		\$89,303	—	\$79,048	\$10,255
VETERANS FARM AND HOME BUILDING BONDS					
Veterans Bonds	1958—2010	\$6,460,000	\$1,020,000	\$2,507,195	\$2,932,805
Totals, Self-Liquidating Bonds		\$10,439,303	\$1,240,000	\$4,623,818	\$4,575,485
TOTALS, ALL GENERAL OBLIGATION BONDS		\$25,303,203	\$9,872,200	\$7,338,193	\$8,092,810

¹ The state school building issues debt service payments are partially refinanced with funds of the borrowing school districts over a 30- to 40-year repayment period as prescribed by statutes.

² The California Water Resource Development Bond Act, the San Francisco Harbor Improvement Acts, and the Veterans Bond Acts are public service enterprises that have their own revenues to finance their respective debt service expenditures.

³ The Harbor Development Bond Law of 1958 includes an authorization of \$50,000,000 for San Francisco harbor development and \$10,000,000 for the development of small craft harbors as provided by Chapter 103, Statutes of 1958.

* Dollars in thousands

Schedule 14-A
STATE APPROPRIATIONS LIMIT
REVENUES TO EXCLUDED FUNDS
(In Thousands)

<i>Source Code</i>	<i>Source</i>	<i>Actual 1987-88</i>	<i>Estimated 1988-89</i>	<i>Estimated 1989-90</i>
110500	Cigarette Tax	—	\$300,000	\$625,000
110900	Horse Racing Fees-Licenses.....	\$9,247	13,475	14,352
120200	General Fish and Game Taxes.....	1,439	1,700	1,700
120300	Electrical Energy Tax.....	36,942	37,615	38,301
120600	Quarterly Public Utility Comm Fees.....	58,991	52,997	53,655
120700	Penalties on Public Utility Comm Qtrly Fees.....	295	339	300
120900	Off-Highway Vehicle Fees.....	1,180	1,200	1,213
121100	Genetic Disease Testing Fees.....	19,883	23,800	25,600
121200	Other Regulatory Taxes	34,653	34,202	35,248
121300	New Motor Vehicle Dealer License Fee	818	880	895
121500	General Fish and Game License Tags Permits	55,755	62,670	69,347
121600	Duck Stamps.....	687	736	922
122400	Elevator and Boiler Inspection Fees.....	4,232	6,346	7,167
122700	Employment Agency License Fees.....	104	104	104
122900	Teacher Credential Fees	5,145	6,152	6,027
123000	Teacher Examination Fees	2,821	3,010	3,010
123100	Insurance Company License Fees & Penalties	20,688	23,811	24,490
123200	Insurance Company Examination Fees	9,062	9,600	9,888
123300	Other Insurance Department Fees.....	2,192	2,258	2,326
123400	Division of Real Estate Examination Fees.....	2,299	2,529	2,251
123500	Division of Real Estate License Fees.....	11,922	12,637	12,763
123600	Subdivision Filing Fees.....	5,044	4,943	4,992
123800	Building Construction Filing Fees	1,397	2,051	2,154
123900	Savings and Loan Licenses	6,516	7,794	7,031
124000	Savings and Loan Fees.....	225	173	173
125100	Beverage Container Redemption Fees	85,123	120,000	120,000
125400	Hazardous Waste Control Fees.....	35,206	51,927	45,930
125600	Other Regulatory Fees.....	27,717	35,454	114,504
125700	Other Regulatory Licenses and Permits.....	103,480	108,261	118,768
125800	Renewal Fees	57,840	58,647	63,269
125900	Delinquent Fees.....	1,251	4,413	5,085
130600	Architecture Public Building Fees	21,078	25,510	26,786
130700	Penalties on Traffic Violations	100,015	106,285	111,853
130800	Penalties on Felony Convictions	8,149	6,500	6,500
130900	Fines-Crimes of Public Offense	371	390	390
131000	Fish and Game Violation Fines	653	600	600
131100	Penalty Assessments on Fish and Game Fines	492	522	548
131200	Interest on Loans to Local Agencies.....	1,470	1,601	1,259
131600	Fingerprint ID Card Fees	13,480	14,261	15,919
131700	Miscellaneous Revenue from Local Agencies.....	1	—	—
140600	State Beach and Park Service Fees	37,563	38,308	39,208
140900	Parking Lot Revenues	2,748	3,350	3,858
141200	Sales of Documents.....	2,125	2,018	1,966
142200	Parental Fees	2,742	2,900	3,100
142500	Miscellaneous Services to the Public	3,879	4,061	4,107
143000	Personalized License Plates.....	27,974	28,165	28,540
150200	Income from Pooled Money Investments	1,606	2,000	2,009
150300	Income from Surplus Money Investments	42,900	35,084	32,988
150400	Interest Income from Loans	774	2,143	1,095
150600	Income from Other Investments	22	22	17
151200	Income from Condemnation Deposits Fund.....	24	6	45
151800	Federal Land Royalties	22,740	23,394	23,394
152200	Rentals of State Property.....	133	185	185
152300	Miscellaneous Revenue from Use of Property & Money.....	6,379	6,341	6,341
152400	School Land Royalties.....	1,575	—	—
152500	State Land Royalties.....	109,483	51,887	37,632
160200	Penalties and Interest on UI and DI Contribution.....	36,165	39,859	44,834
160400	Sale of Fixed Assets.....	37	—	—
160500	Sale of Confiscated Property.....	61	1,350	2,600
160600	Sale of State's Public Lands.....	1,000	500	—
161000	Escheat of Unclaimed Checks and Warrants	327	262	262
161400	Miscellaneous Revenue.....	52,714	13,461	24,532
161800	Penalties and Interest on Personal Income Tax.....	10,465	11,298	12,668
161900	Other Revenue—Cost Recoveries.....	727	800	800
164100	Traffic Violations.....	4,789	5,000	5,200
164300	Penalty Assessments	40,998	67,846	70,296
164400	Civil and Criminal Violation Assessment.....	3,786	3,343	3,343
	TOTALS	\$1,161,599	\$1,488,976	\$1,929,340

Schedule 14-B
STATE APPROPRIATIONS LIMIT
NON-TAX REVENUES IN FUNDS SUBJECT TO LIMIT
(In Thousands)

Revenue	1987-88		1988-89		1989-90	
	General Fund	Special Fund	General Fund	Special Fund	General Fund	Special Fund
California State University Fees.....	\$268,962	—	\$327,054	—	\$359,787	—
Candidate Filing Fee.....	258	—	—	—	—	—
Civil and Criminal Violation Assessment.....	68	—	64	—	69	—
County Costs—Mentally Ill Patients.....	24,556	—	31,000	—	33,000	—
Domestic Corporation Fees.....	4,155	—	4,025	—	3,900	—
Driver's License Fees.....	—	\$68,230	—	\$68,500	—	\$69,000
Elevator and Boiler Inspection Fees.....	72	—	72	—	72	—
Employment Agency Filing Fees.....	34	—	34	—	34	—
Employment Agency License Fees.....	373	26	373	26	373	26
Escheat of Unclaimed Checks and Warrants.....	2,507	—	1,921	—	2,096	—
Explosive Permit Fees.....	5	—	5	—	5	—
Filing Financing Statements.....	1,756	—	2,500	—	2,580	—
Fire Prevention and Suppression.....	7,183	—	750	—	500	—
Foreign Corporation Fees.....	2,174	—	1,992	—	1,937	—
Forestry & Fire Protect Nursery Sales.....	368	—	400	—	400	—
General Fees—Secretary of State.....	6,410	—	7,805	—	8,141	—
Guardianship Fees.....	43	—	47	—	47	—
Highway Carrier Uniform Business License Tax.....	4,130	—	4,500	—	4,500	—
Identification Card Fees.....	—	7,741	—	8,800	—	9,500
Industrial Homework Fees.....	10	—	10	—	10	—
Interest Income from Loans.....	1,068	—	4	—	34	—
Liquor License Fees.....	31,441	—	31,819	—	32,613	—
Medicare Receipts from Fed Govt (Abol 7/1/87).....	9,220	—	8,670	—	9,858	—
Miscellaneous Revenue.....	176	3	—	1	—	1
Miscellaneous Services to the Public.....	5,798	27,337	5,545	30,000	5,716	35,700
Notary Public License Fees.....	654	—	593	—	612	—
Off-Highway Vehicle Fees.....	—	2,349	—	2,300	—	2,300
Oil and Gas Lease—1% Revenue City/County.....	352	—	300	—	300	—
Open Space Cancellation Fee Deferred Taxes.....	—	—	—	1,110	—	1,110
Other Motor Vehicle Fees.....	—	757	—	908	—	908
Other Regulatory Fees.....	3,750	896	3,983	2,937	4,358	9,558
Other Regulatory Licenses and Permits.....	30,665	4,250	39,872	6,300	37,697	6,333
Other Regulatory Taxes.....	7,161	14,773	8,494	15,000	8,867	15,000
Other Revenues—Cost Recoveries.....	—	1,387	—	1,700	—	1,700
Parking Lot Revenues.....	720	—	862	—	862	—
Pay Patients Board Charges.....	38,132	—	28,259	—	31,152	—
Penalty Assessments.....	3,424	942	3,423	2,753	3,440	3,400
Proceeds from Estates of Deceased Person.....	1,912	—	2,195	—	2,095	—
Receipts from Health Care Dep Fd (Abol 7/83).....	23,335	—	37,713	—	19,194	—
Revenue-Abandoned Property.....	75,683	—	116,000	—	250,000	—
Sale of Confiscated Property.....	4	—	4	—	4	—
Sale of Fixed Assets.....	3	—	—	—	—	—
Sales of Documents.....	401	681	309	610	320	610
School Land Royalties.....	382	—	2,002	—	2,417	—
State Land Royalties.....	100,824	—	25,033	—	14,843	—
Revenue Anticipation Note Interest.....	108,000	—	225,000	—	235,000	—
TOTALS.....	\$766,169	\$129,372	\$922,632	\$140,945	\$1,076,833	\$155,146

Schedule 14-C
STATE APPROPRIATIONS LIMIT
TRANSFERS FROM EXCLUDED FUNDS TO INCLUDED FUNDS
(In Thousands)

	<i>1987-88</i>		<i>1988-89</i>		<i>1989-90</i>	
	<i>General Fund</i>	<i>Special Fund</i>	<i>General Fund</i>	<i>Special Fund</i>	<i>General Fund</i>	<i>Special Fund</i>
Fingerprint Fees Account to General Fund (Item 4260-013-014, Budget Act of 1988)	-	-	\$1,000	-	-	-
Highway Construction Revolving Account to Highway Account, State Transportation Fund (Streets and Highways Code Section 2560)	-	-	-	\$4,200	-	\$4,400
Energy Resources Surcharge Fund to Energy Resources Programs Account (Revenue and Taxation Code Section 40031)	-	\$36,942	-	\$37,615	-	38,301
Fair and Exposition Fund to General Fund (Item 8570-011-191, Budget Acts of 1987, 1988 and proposed 1989) .	\$626	-	698	-	\$698	-
Satellite Wagering Account to General Fund (Item 8570-011-192, Budget Act of 1987)	3,000	-	-	-	-	-
Vehicle Inspection Fund to General Fund (Item 1150-008-420, Budget Act of 1988)	21,000	-	-	-	-	-
Vehicle Inspection and Repair Fund to General Fund (Item 1150-008-421, 1989 Budget Bill)	-	-	10,000	-	-	-
Public Utilities Commission Utilities Reimbursement Account to Energy Resources Programs Account (Chapter 323/83) .	-	-	-	6,000	-	-
Farm Labor Housing Rehabilitation Loan Fund to General Fund (Section 11.75, Budget Act of 1988)	-	-	1,200	-	-	-
Housing Rehabilitation Loan Fund to General Fund (Section 11.75, Budget Act of 1988)	-	-	1,500	-	-	-
Urban Predevelopment Loan Fund to General Fund (Section 11.75, Budget Act of 1988)	-	-	1,550	-	-	-
TOTALS	\$24,626	\$36,942	\$15,948	\$47,815	\$698	\$42,701

Schedule 14-D
STATE APPROPRIATIONS LIMIT
EXCLUDED APPROPRIATIONS
(In Millions)

<i>Budget</i>	<i>Fund</i>	<i>Actual 1987-88</i>	<i>Estimated 1988-89</i>	<i>Estimated 1989-90</i>
DEBT SERVICE:				
9600 Bond Interest and Redemption	General	\$515	\$524	\$609
	General	71	44	16
4260 Ch. 376/84 Toxics	Hazardous Substance Account	5	5	5
Total Debt Service		<u>\$591</u>	<u>\$573</u>	<u>\$630</u>
SUBVENTIONS:				
6100 K-12 Apportionments	General	\$7,062	\$7,448	\$8,069
6100 County Offices	General	105	111	124
6870 Community Colleges	General	1,107	1,193	1,284
Subventions--Education		<u>\$8,274</u>	<u>\$8,752</u>	<u>\$9,477</u>
9100 Tax Relief	General	\$365	\$373	\$380
Renter's Credit	General	256	261	266
9210 Local Government Fin.	General	-	2	-
	General	89	15	15
	General	57	43	43
	General	-	10	-
9350 Shared Revenues:	Mobilehome License Fee	16	15	14
	Motor Vehicle License Fee *	1,768	1,918	2,051
	Cigarette Tax	73	71	69
Subventions--Other		<u>\$2,624</u>	<u>\$2,708</u>	<u>\$2,838</u>
MANDATES:				
6100 K-12 Desegregation	General	\$318	\$400	\$399
6300 Contribution to STRS	General	242	254	269
	General	140	160	180
Total Mandates		<u>\$700</u>	<u>\$814</u>	<u>\$848</u>
TOTAL EXCLUSION:		\$12,189	\$12,847	\$13,793
<i>General Fund</i>		<i>10,327</i>	<i>10,838</i>	<i>11,654</i>
<i>Special Funds</i>		<i>1,862</i>	<i>2,009</i>	<i>2,139</i>

* The amount of the Motor Vehicle License Fee subvention has been adjusted to include the fiscal year change in cash balances which are pending disbursement to local governments.

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